REPORT RESUMES

ED 017 713 VT 004 633

SELF-STUDY PROGRAM IN RETAIL STORE OPERATIONS, UNITS 1-13 AND STUDY GUIDE.

QUAKER OATS CO., CHICAGO, ILL.

PUB DATE 65
EDRS PRICE MF-$3.00 HC NOT AVAILABLE FROM EDRS. 777P.

DESCRIPTORS- *STUDY GUIDES, *DISTRIBUTIVE EDUCATION, *FOOD STORES, *RETAILING, ADULT VOCATIONAL EDUCATION, HIGH SCHOOLS, POST SECONDARY EDUCATION, *PROGRAMED INSTRUCTION,

THE PURPOSE OF THIS SELF-STUDY PROGRAM IS TO PROVIDE A COMPREHENSIVE VIEW OF TOTAL RETAIL FOOD STORE OPERATIONS AND TO BROADEN THE KNOWLEDGE AND UNDERSTANDING OF THOSE IN OR STUDENTS AND OTHERS PREPARING TO ENTER THE FOOD INDUSTRY. IT WAS DEVELOPED BY THE QUAKER OATS COMPANY FOR ITS SALESMEN BUT WAS EXPANDED FOR USE OUTSIDE THE COMPANY. THE PROGRAM CONSISTS OF 13 SEPARATE SELF-STUDY UNITS AND A STUDY GUIDE. THE INDIVIDUAL UNITS VARY FROM 40 TO 72 PAGES IN LENGTH, AND EACH REQUIRES ABOUT 2 HOURS TO COMPLETE. THE UNITS ARE (1) THE GROCERY INDUSTRY, PAST, PRESENT, AND FUTURE, (2) FROM THE PRODUCER TO THE CONSUMER, (3) THE SUPERMARKET TODAY, (4) PROFIT AND THE SUPERMARKET, (5) THE SUPERMARKET CUSTOMER, (6) THE GROCERY DEPARTMENT, (7) THE MEAT DEPARTMENT, (8) THE PRODUCE DEPARTMENT, (9) THE DAIRY DEPARTMENT, (10) THE FROZEN FOODS DEPARTMENT, (11) THE BAKERY DEPARTMENT, (12) THE FRONT END, AND (13) OTHER DEPARTMENTS IN THE SUPERMARKET. THE PROGRAM INCORPORATES PROGRAMED LEARNING AS THE SELF-INSTRUCTION METHOD. IN ADDITION TO PROGRAMED LEARNING THE UNITS CONTAIN TEXT MATERIAL, DIAGRAMS, AND ILLUSTRATIONS. IN A STUDY OF THE EFFECTIVENESS OF THE PROGRAM BY WESTERN MICHIGAN UNIVERSITY, A COMPARISON OF PRE- AND POST-TEST RESULTS FOR A TYPICAL GROUP OF STORE EMPLOYEES SHOWED A SIGNIFICANT IMPROVEMENT IN THE KNOWLEDGE LEVEL OF THE GROUP. THIS DOCUMENT IS AVAILABLE FOR $4.95 FROM THE QUAKER OATS COMPANY, 345 MERCHANDISE MART PLAZA, CHICAGO, ILLINOIS 60054. (MM)

ED017713

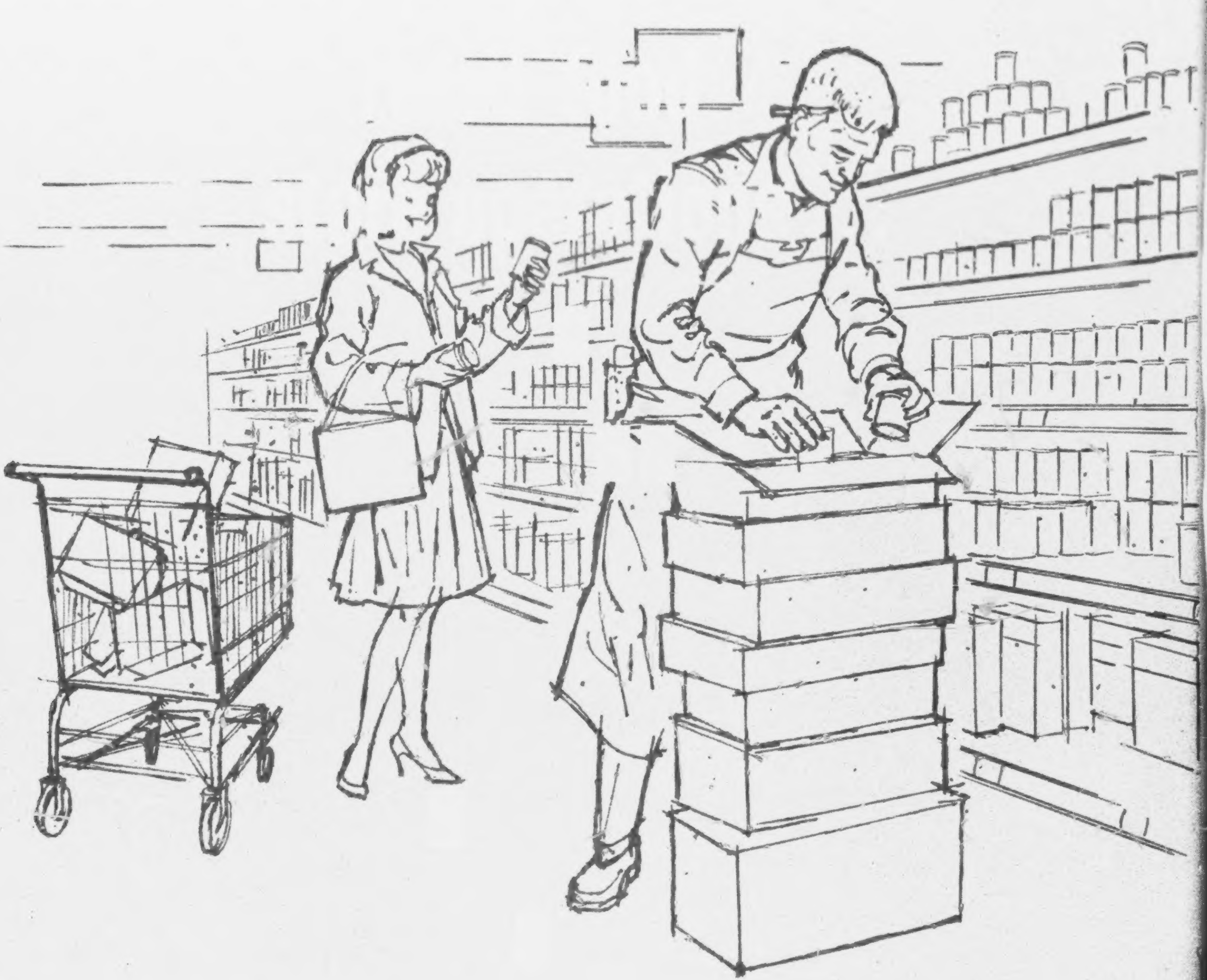
SELF-STUDY PROGRAM IN RETAIL FOOD STORE OPERATIONS

Unit 1. The Grocery Industry . . . Past, Present, and Future
Unit 2. From the Producer to the Consumer
Unit 3. The Supermarket Today
Unit 4. Profit and the Supermarket
Unit 5. The Supermarket Customer
Unit 6. The Grocery Department
Unit 7. The Meat Department
Unit 8. The Produce Department
Unit 9. The Dairy Department
Unit 10. The Frozen Foods Department
Unit 11. The Bakery Department
Unit 12. The Front End
Unit 13. Other Departments in the Supermarket

PRODUCED BY
THE Quaker OATS COMPANY

VT004633

Only Copy



FACTS ABOUT A SELF-STUDY PROGRAM
IN
RETAIL FOOD STORE OPERATIONS

WHO IS IT FOR?

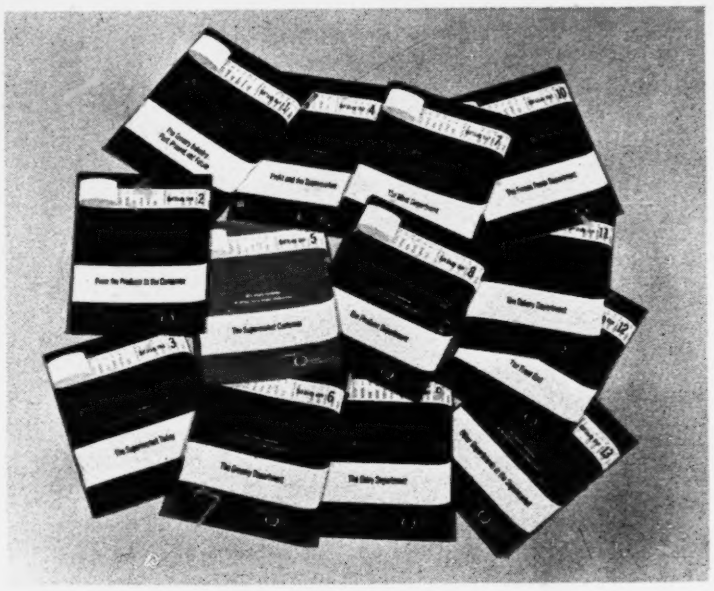
An understanding of food retailing is basic to an understanding of the food industry. This unique self-study program provides a comprehensive view of total retail food store operations, and it is intended to broaden the knowledge and understanding of:

- store personnel . . . clerks, baggers, meat cutters, assistant department managers, checkers, produce wrappers, department managers, store managers, and supervisors.
- those concerned with, but not directly involved in, store operations . . . jobber and distributor headquarters and warehouse personnel, and manufacturer and broker representatives.
- students and others preparing to enter the food industry.

WHAT IS IT?

This program consists of 13 separate Self-Study Units and a Study Guide. The individual Units vary from 40 to 72 pages in length, and each Unit requires about two hours to complete. The 13 Units are:

Unit 1. The Grocery Industry . . . Past, Present and Future
Unit 2. From the Producer to the Consumer
Unit 3. The Supermarket Today
Unit 4. Profit and the Supermarket
Unit 5. The Supermarket Customer
Unit 6. The Grocery Department
Unit 7. The Meat Department
Unit 8. The Produce Department
Unit 9. The Dairy Department
Unit 10. The Frozen Foods Department
Unit 11. The Bakery Department
Unit 12. The Front End
Unit 13. Other Departments in the Supermarket



The Study Guide makes it possible to relate what is learned in each Unit to conditions and situations in any given store.

HOW DOES IT WORK?

The program incorporates a new self-instruction method known as programed learning. In programed learning, one piece of information is presented at a time and repeated in an interesting manner, with subsequent information building upon what has already been learned.

Programed learning permits a body of knowledge to be learned step by step. Whether an individual is a fast or slow learner is immaterial, because everyone learns the same information and retains it equally well.

In addition to programed learning, the Self-Study Units also contain text material written in a clear and concise style. The Units also include many helpful diagrams and illustrations which add interest and serve as an aid to learning.

WHAT DOES IT COVER?

The program covers in depth all facets of a retail food store's operation. Routine skills are not stressed. Rather, the emphasis is on the "what" and "why" of store operations. For example, Unit #7, "The Meat Department," covers such things as:

- popular locations and layouts for the department, and their relative advantages and disadvantages;
- different methods of arranging products in the display case;
- comparison of self-service, semi self-service, and butcher-service departments;
- space allocations, sales, and profits of the department;
- sales and margins by type of meat;
- providing a balanced selection of grades and types of meat;
- common methods of pricing meats;
- cutting tests and how they're used;
- effective meat merchandising—packaging, display, and promotion;
- major problems of the department;
- ordering, receiving, handling, and storing meats;
- cutting, trimming, and packaging meats;
- grades and popular cuts of meat.

DOES THE PROGRAM REALLY WORK?

Before publication, a research study was conducted by Western Michigan University to determine the effectiveness of the program. Tests were administered to a typical group of store employees before and after they studied the Units. The University's researchers noted a substantial and significant improvement in the knowledge level of the group. The employees found the materials interesting . . . they found the learning easy . . . and they felt they significantly increased their understanding of store operations.

Perhaps even more importantly, the employees' managers said they noticed a great increase in the interest and awareness of the employees!

HOW THE PROGRAM CAME ABOUT

Although the program was originally intended for Quaker's own salesmen—to provide them with a better understanding of the problems and methods of operation in retail food stores—many leaders in the industry who assisted in the development of the material pointed out that such an activity could be beneficial in training personnel at all levels in the industry. As a result, Quaker decided to underwrite the major cost of the program and make it available to all interested parties at a nominal charge to cover the cost of printing and handling.

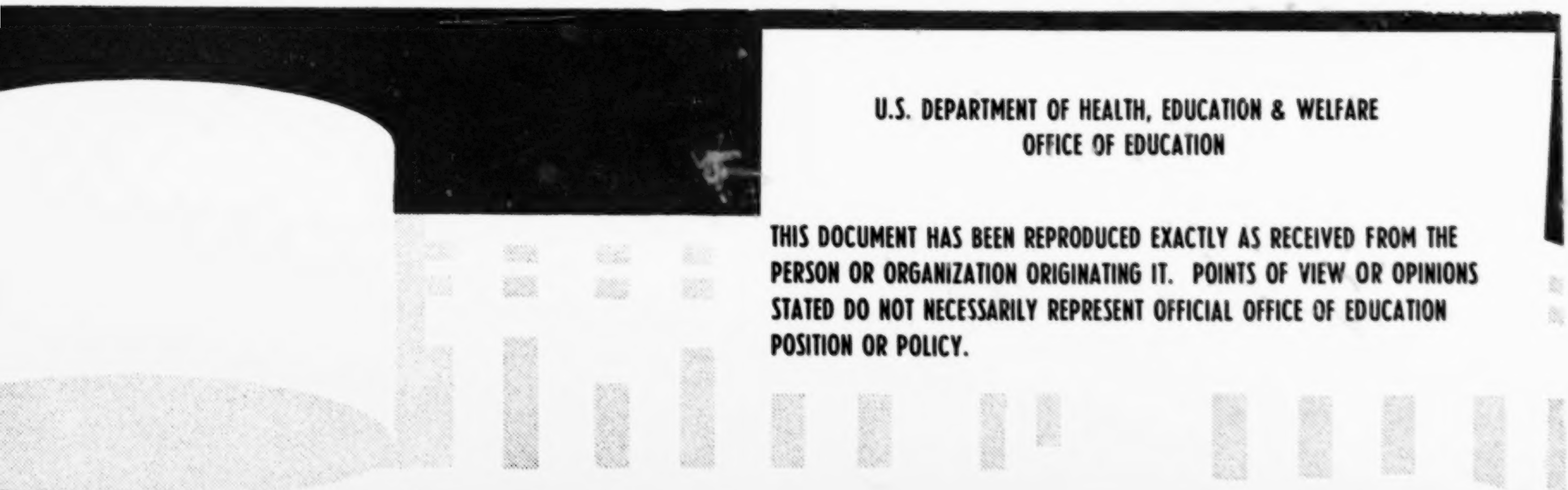
During the development of the program, Quaker received help from over twenty food industry authorities outside the company—such as trade associations, distributors, trade journals, retailers, university professors, manufacturers, independent consultants, etc. These knowledgeable people provided resource materials and reviewed each Unit in each step of its development.

The Quaker Oats Company does not intend to set itself up as an authority on the great number and variety of facts, figures, and ideas presented. Many materials were examined, and the Units represent what was filtered from these materials as being the most meaningful. The panel of experts helped to determine what should finally go into each Unit.

The Quaker Oats Company thanks the following organizations and individuals—as well as those distributors, retailers, and manufacturers not listed—whose unselfish assistance and constructive comments helped make this program possible.

- Super Market Institute, Inc.—Dr. George Baker
- Cornell University—Dr. Wendell Earle and Dr. Earl Brown
- National Association of Retail Grocers of the United States—Mrs. Marie Kiefer and Mr. Frank Brown
- Western Michigan University—Prof. Adrian Trimpe and Prof. William Haynes
- Progressive Grocer Magazine—Mr. George Kline
- University of Virginia—Dr. William Kaven
- National Association of Food Chains
- Al Bruno and Company—Mr. Al Bruno ("The Produce Department")
- University of Delaware—Prof. Robert Bull
- C. G. Bowes, Inc.—Mr. Cliff Bowes ("The Meat Department")
- Kansas State University—Prof. Bruce Chapman
- National Cash Register Company ("The Front End")

To obtain the complete self-study program, consisting of the 13 Self-Study Units and the Study Guide, contact the Sales Training Department, The Quaker Oats Company, Merchandise Mart Plaza, Chicago, Illinois 60654. The price is $4.95 a set to cover the cost of printing and handling.



U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

STUDY GUIDE

for retail food store employees

PRODUCED BY

THE Quaker OATS COMPANY

PROPERTY OF –

Name ____________________

Address ____________________

City ____________ State ____________

Phone Number ____________________

TABLE OF CONTENTS

Guide for Self-Study Unit #1 . . . . Page 1
"The Grocery Industry . . . Past, Present, and Future"
Guide for Self-Study Unit #2 . . . . Page 3
"From the Producer to the Consumer"
Guide for Self-Study Unit #3 . . . . Page 7
"The Supermarket Today"
Guide for Self-Study Unit #4 . . . . Page 10
"Profit and the Supermarket"
Guide for Self-Study Unit #5 . . . . Page 18
"The Supermarket Customer"
Guide for Self-Study Unit #6 . . . . Page 28
"The Grocery Department"
Guide for Self-Study Unit #7 . . . . Page 37
"The Meat Department"
Guide for Self-Study Unit #8 . . . . Page 46
"The Produce Department"
Guide for Self-Study Unit #9 . . . . Page 54
"The Dairy Department"
Guide for Self-Study Unit #10 . . . . Page 60
"The Frozen Foods Department"
Guide for Self-Study Unit #11 . . . . Page 67
"The Bakery Department"
Guide for Self-Study Unit #12 . . . . Page 80
"The Front End"
Guide for Self-Study Unit #13 . . . . Page 84
"Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois

HOW TO USE THIS STUDY GUIDE

This Study Guide is the "companion-piece" to the series of thirteen Self-Study Units on Retail Food Store Operations. It is intended to help you learn and retain the information contained in each Unit, and to help you relate the information to the conditions and situations in the store in which you work. The Guide covers all thirteen Units.

To get the most from this Self-Study Program, it is suggested that this approach be followed:

- Immediately before beginning your study of each Unit, glance through the pages of the Guide relating to that Unit.
- As you study the Unit, note any questions you might want to discuss with the Store Manager or others in the space provided at the beginning of each section of this Guide.
- Study the Unit and complete the Self-Quiz at the end.
- Complete the questions marked with an asterisk (*) in the section of this Guide relating to that Unit. (These questions can be answered from your own experience or observation.)
- Discuss the remaining questions in the Guide relating to that Unit (and any other questions you might have) with the owner or manager of the store, or with others who can provide the needed information (Department Managers, Supervisors, etc.). Make notes on your discussions in the space provided in the Guide.
- Follow the same procedure for each of the thirteen Units in this series.

Before you begin Unit #1, it's suggested that you talk with the store owner or manager to determine how he prefers to handle the discussions called for in this Guide. Since he's a busy person with many tasks which require his attention, it may be difficult for him to find time to discuss all the points relating to a particular Unit in one sitting. So, it might be a good idea to plan to discuss each Unit in a number of short sessions, rather than attempt to cover it all at one time.

The point is -- be considerate of his time, and try to schedule these discussions at his convenience ... even if it means having to come back to him a number of times in order to complete your discussion of a given Unit.

Another important point regarding these discussions: All the information called for in this Study Guide may not be readily available to the store owner or manager. And, some of the information called for may be considered confidential. So, if the store owner or manager is unable to provide certain facts and figures, or if company policy prohibits him from making them available to you, respect his judgment.

A final point: In the course of your discussions, you will be making notes in this Study Guide about many phases of the store's operations -- information that could prove helpful to other stores that compete with the one in which you work. Therefore, your study of this Program carries with it a responsibility to protect the information you receive. Unless your store owner or manager asks to see the Guide in order to appraise your progress or asks you to turn it in to him at the completion of the last Unit, don't let this Guide out of your possession.

Properly used, this Study Guide can help you become more knowledgeable about the industry and about the store in which you work. By guarding the information you note in this Guide, you will be respecting a confidence and thereby evidencing your ability to accept responsibility.

Good studying ... and good luck in your career in the food industry!

GUIDE FOR SELF-STUDY UNIT #1

The Grocery Industry . . . Past, Present, and Future

Self-Study Unit #1 covers the history of the retail food industry and contains a thumb-nail sketch of the industry today.

As you study Unit #1, note below any questions you might want to discuss later with the Store Manager or your Department Manager.

____

____

____

____

____

____

After studying Unit #1, fill out your knowledge of both the industry and your place in it in these two ways:

1. Search out and study any books, periodicals, company brochures, or trade publications (available at your local library, through the Store Manager, or from other sources) which describe:

    - The history or background of the company for which you work.
    - The history of the retail food industry.
    - The size and importance of the industry today.
    - Current trends and new developments in the industry.
    - Future prospects for the industry.

2. Discuss with your store owner or manager your own prospects for advancement. Get his suggestions of things you might do to prepare yourself to accept and handle additional responsibilities. With his assistance, try to develop a plan of action toward a goal -- things you might do to develop your knowledge and broaden your experience, in order to capitalize on your strong points and strengthen your weak points. Make notes on the following page.

GUIDE FOR SELF-STUDY UNIT #2

From the Producer to the Consumer

Self-Study Unit #2 describes how products move from the producer to the retail store and ultimately to the end-user, and how the buying function is handled at the wholesale level.

As you study Unit #2, note below any questions you might want to discuss later with the Store Manager or your Department Manager.

____

____

____

____

____

____

After studying Unit #2, answer the following questions. You should be able to answer those questions marked with an asterisk (*) from your own observation or experience. Discuss the remaining questions (those without an asterisk) with the store owner or manager, a Department Manager, or others who can provide the information.

1. What are the store's total annual dollar sales? $__________

*2. Is the store classed as a supermarket? ... a superette? ... or a small store?

*3. Make sure you know the difference between a Chain, a Co-op, a Voluntary, and an Unaffiliated Independent. List some local examples of each, and check your answers with the Store Manager or your Department Manager.

• Chains:	__________	• Voluntaries:	__________
	__________		__________
	__________		__________
• Co-ops:	__________	• Independents:	__________
	__________		__________
	__________		__________

4. Is your store:

☐ a Chain Unit?
☐ a member of a Voluntary Group?
☐ a member of a Co-operative?
☐ an Unaffiliated Independent?

5. If the store is an Unaffiliated Independent, what are its chief sources of supply:

- For Grocery Department items? ____________________
- For Meat? ____________________
- For Produce? ____________________
- For Frozen Foods? ____________________
- For Health & Beauty Aids? ____________________
- For other Non-Foods? ____________________

6. If the store is a member of a central buying organization, which of the following types of items are obtained from the organization's warehouse and which from some other source outside the organization, or both?

	warehouse	other source
• Grocery items	☐	____________
• Meat	☐	____________
• Produce	☐	____________
• Dairy items	☐	____________
• Frozen Foods	☐	____________
• Baked Goods	☐	____________
• Health & Beauty Aids	☐	____________
• Other Non-Foods	☐	____________

7. If the store is a Co-op or Voluntary, how are patronage dividends (if any) apportioned to the member stores? ____________________

____

____

____

____

8. If the store is a member of a central buying organization:

- What percentage of the store's inventory is obtained from the organization's warehouse? ____________________
- Where is the organization's buying headquarters located? ____________
- Where is the nearest warehouse located? ____________________
- How are items ordered from the warehouse? ____________________
- How often does the store place orders with the warehouse? ____________
- Who determines which items the store will stock? ____________________
- Which types of products are "direct delivered" items? ____________
- Who determines what items will be stocked by the warehouse? ____________
- How does the headquarters' buying committee (if there is one) operate?

9. If your store is a member of a central buying organization:

- What is the store's policy with respect to private label products? ________
- What share of total store sales are accounted for by private label goods?
- What sort of advertising or merchandising effort (if any) do private label goods receive? ____________________

- What, in the opinion of the Store Manager, are the major advantages and disadvantages of private label products?

*10. Based on your own observation, how do you think the store's customers feel about private label goods?

11. What is the store's policy regarding sales calls by manufacturers' representatives and/or brokers' salesmen? (how often are representatives expected to call, what are they permitted to do on a call, etc.)

12. What kind of assistance, information, or ideas does the Store Manager expect manufacturers' and brokers' representatives to provide on their sales calls?

GUIDE FOR SELF-STUDY UNIT #3

The Supermarket Today

Self-Study Unit #3 contains some pertinent facts and figures about a typical supermarket. These are national averages which would obviously not all hold true for your store and your company (if the store is a member of a central buying organization). However, to broaden your awareness and knowledge, it would be helpful to see how this store compares to the national averages and to the average for the entire company.

After studying Unit #3, discuss the following points with the store owner or manager or with others who might be able to provide the information.

NOTE: In this discussion, you may find that some of the information called for on pages 7 and 8 is not readily available or is considered confidential. If so, skip over to page 9.

1. Below are listed the most important facts and figures contained in Unit #3 regarding THE OVERALL OPERATION of a supermarket. Opposite each point, there is space to fill in the facts and figures applicable to the store in which you work and to the company with which your store is affiliated or of which it is a part.

   Determine the figures that apply to the store in which you work -- and, if possible, the average for the company of which it is a part -- and compare them with the national averages. (If your store is not a member of any central buying organization, disregard the column headed "Co. avg.")

	Nat'l avg.	This store	Co. avg.
Annual dollar sales volume	$1,425,000	$	$
Weekly dollar sales volume	$27,500	$	$
Equivalent full-time employees	20		
Annual sales per full-time employee	$70,000	$	$
Total square footage, overall store	16,000		
Total square feet of selling space	10,700		
Total number of items	6-7,000		
Average sales per check-out counter	$7,000	$	$
Size of average customer transaction	$4.85	$	$
Number of transactions per week	5,600		
Number of transactions per check-out	1,500		
Thursday, Friday, & Saturday:			
% of week's total transactions	65%	%	%
% of week's total dollar sales	75%	%	%
Gross margin, total store operation	18-20%	%	%
Net profit after taxes as a % of sales	1.2%	%	%

2. Try to determine the following about THE VARIOUS DEPARTMENTS in your store -- and, if possible, the averages for the company of which it is a part -- and compare them with the national averages you studied in Unit #3.

	GROCERY DEPARTMENT			NON-FOODS		
	Nat'l avg.	This store	Co. avg.	Nat'l avg.	This store	Co. avg.
% of total selling space	56%	____%	____%	10%	____%	____%
% of total number of items	63%	____%	____%	18%	____%	____%
% of total unit sales	53%	____%	____%	3%	____%	____%
% of total dollar sales	46%	____%	____%	5%	____%	____%
% of total gross profit	44%	____%	____%	8%	____%	____%
Annual rate of turnover	20	____	____	13	____	____
Average gross margin	20%	____%	____%	30%	____%	____%

	MEAT DEPARTMENT			PRODUCE DEPARTMENT		
% of total selling space	11%	____%	____%	10%	____%	____%
% of total number of items	5%	____%	____%	3%	____%	____%
% of total unit sales	12%	____%	____%	11%	____%	____%
% of total dollar sales	24%	____%	____%	7%	____%	____%
% of total gross profit	21%	____%	____%	10%	____%	____%
Annual rate of turnover	58	____	____	78	____	____
Average gross margin	20%	____%	____%	28%	____%	____%

	DAIRY DEPARTMENT			FROZEN FOODS DEPARTMENT		
% of total selling space	5%	____%	____%	4%	____%	____%
% of total number of items	4%	____%	____%	4%	____%	____%
% of total unit sales	10%	____%	____%	4%	____%	____%
% of total dollar sales	9%	____%	____%	4%	____%	____%
% of total gross profit	8%	____%	____%	5%	____%	____%
Annual rate of turnover	41	____	____	39	____	____
Average gross margin	17%	____%	____%	27%	____%	____%

	BAKED GOODS DEPARTMENT			OTHER DEPARTMENTS		
% of total selling space	4%	____%	____%	x	____%	____%
% of total number of items	4%	____%	____%	x	____%	____%
% of total unit sales	7%	____%	____%	x	____%	____%
% of total dollar sales	5%	____%	____%	x	____%	____%
% of total gross profit	4%	____%	____%	x	____%	____%
Annual rate of turnover	125	____	____	x	____	____
Average gross margin	18%	____%	____%	x	____%	____%

3. Discuss the organizational set-up of your store with the manager or owner. Use the space below for notes of the key points discussed.

In this discussion, be sure to cover:

- What is the type of store organization -- single-line or dual-line -- and what are the major advantages of this system?
- What are the job responsibilities of the various people working in the store?
- What are the lines of authority and responsibility between the various members of the store staff, particularly the Department Managers?
- If the store is a member of a central buying organization, what company personnel provide supervision and assistance to the store?

GUIDE FOR SELF-STUDY UNIT #4

Profit and the Supermarket

Self-Study Unit #4 covers the many and varied factors affecting a store's profit.

As you study Unit #4, note below any questions you might want to discuss later with the Store Manager or your Department Manager.

After studying Unit #4, answer the following questions marked (*) and discuss the others with your Store Manager or others who can provide the information.

1. Using the Profit and Loss Statement on page I-9 of Unit #4 as a guide, fill in your store's per cent of sales for each of the major items below for the last fiscal year. (NOTE: This information may not be readily available or may be confidential. If so, skip to page 11.)

TOTAL SALES		100%
LESS: TOTAL COST OF GOODS SOLD		- ____%
GROSS PROFIT		____%
EXPENSES:		
Salaries and wages	____%	
Rent	____%	
Wrapping, store supplies	____%	
Advertising	____%	
Promotion	____%	
All other expenses	____%	
TOTAL FIXED AND VARIABLE EXPENSES		- ____%
OPERATING PROFIT		____%
OTHER PROFIT OR LOSS		± ____%
PROFIT BEFORE TAXES		____%
LESS: INCOME TAXES (est. or act.)		- ____%
NET PROFIT AFTER TAXES		____%

. If your store establishes a budget, who establishes it? How are sales, margins, expenses, and profits forecast? ______________________

____

____

____

. What is the weekly break-even point in sales for your store? $__________
... the annual break-even point? $__________.

. Study one of your store's recent newspaper advertisements. Look for and note below examples of how the store attempts to attract more customers:

- "By advertising a variety of products with wide appeal to the people in the trading area." Example: ______________________

  ____

- "By featuring popular items as traffic builders." Example: __________

  ____

- "By trying to create a favorable store image." Example: __________

  ____

- "By fostering the idea that regular customers get greater values week after week, thus promoting customer loyalty." Example: __________

  ____

. Based on your own observation, check the advertising media used regularly by your store, and circle the one which is most often used.

☐ Newspapers

☐ Handbills and circulars

☐ Other: ______________________

☐ Radio

☐ Television

. What is your store's (or your company's) policy with respect to co-operative advertising agreements? (How extensively are they used? How does the store make sure it meets the performance requirements? Etc.) __________

____

____

____

7. What types of short-term promotions have been used recently by your store (or by your company)? Which have been most effective in terms of increased customer traffic, sales, and profit?

8. What long-term promotions has your store (or your company) used? Which have proved most effective in terms of customer traffic, sales, and profit?

9. What steps are taken or what procedures are followed by your store to ensure that the proper variety of products and selection of brands is available at all times? ... by buying headquarters (if the store is a member of a central buying organization)?

10. What steps are taken or what procedures are followed at your store to ensure that adequate quantities of all items are maintained at all times? ... at the warehouse (if the store is a member of a central buying organization)?

11. Regarding the ordering of items at your store:

- Who determines what items and quantities to order? How?

- Who decides whether or not to stock a new item? How is the size of the initial order determined?

12. Regarding special displays in your store:

- What types of displays are most effective? Why?

- What display locations are most effective? Why?

- Who determines what items to display? How?

- Who decides what quantities to display and have as back-up stock? How?

13. Regarding the pricing of items sold at your store:

- Who sets the prices of individual items? How? ______________________________
____
____
____

- What is the store's policy on --

-- odd-number pricing? ______________________________
____

-- multiple pricing? ______________________________
____

-- loss leaders? ______________________________
____

-- mark-downs? ______________________________
____

14. Regarding the use of manufacturers' consumer promotions at your store:

- Who decides whether or not the store will actively support a particular promotion? How? ______________________________
____
____

- What types of promotions have proved most effective in increasing the store's sales? ______________________________
____
____

- What types are most profitable for the store? ______________________________
____
____

15. What is the store owner's or manager's attitude toward taking advantage of suppliers' discounts, such as:

- Quantity discounts? ____________________
- Seasonal discounts? ____________________
- Cash discounts? ____________________

16. What is the store owner's or manager's attitude toward allowances and deals offered by suppliers, such as:

- Co-operative advertising allowances? ____________________
- Promotional allowances? ____________________
- "Cents off" deals? ____________________
- "Free goods" deals? ____________________

17. What policies or procedures does your store have to protect against inventory shrinkage due to:

- Shortages in in-coming shipments? ______________________________
- Breakage and spoilage? ______________________________
- Pilferage by customers? ______________________________
- Pilferage by suppliers' personnel? ______________________________
- Pilferage by store employees? ______________________________

18. Regarding scheduling the working hours of store personnel (both full-time and part-time employees):

- Who schedules personnel in the Meat Department, and how? ____________

____

____

____

- Who schedules personnel in the other departments, and how? ____________

____

____

____

- Who schedules personnel at the Front End, and how? ____________

____

____

____

*19. Be aware of the methods used by the Store Manager and Department Managers to motivate their people in order to get maximum productivity from each employee. Note your observations below.

____

____

____

____

*20. Be aware of the methods used in controlling store supplies and utilities to minimize waste. Note your observations below.

____

____

____

____

GUIDE FOR SELF-STUDY UNIT #5

The Supermarket Customer

Self-Study Unit #5 considers the psychology of the shopper, provides a thumbnail sketch of the typical supermarket customer, and suggests ways to use this information in providing customer-centered service.

After you have studied Unit #5, complete the following "personal experiments" to test the ideas contained in Unit #5 in your own day-to-day work. Work on each experiment for a full week, then note your results in the space provided. The 5 experiments should take a total of 5 weeks. (NOTE: It's suggested you proceed with your study of Unit #6 and the subsequent Units during this time rather than wait until you've completed all 5 experiments.)

*Experiment 1. (first week)

On pages III-3 and III-4 of Unit #5, there are a number of suggestions of ways for store employees to make each customer feel important. As your personal experiment, make a conscious effort for an entire week to PUT THESE IDEAS INTO PRACTICE (or think of others which might be more applicable for your particular job) in your contacts with customers. Note your results below:

- In general, what reactions did you receive from shoppers when you made a point to say or do something to make each customer feel important?

- Which of the things that you did or said to make customers feel important worked most effectively?

- What types of customers seemed most responsive? (young or old? men or women? etc.) ____________________

  ____

  ____

- What types of customers seemed least responsive? ____________________

  ____

  ____

- Did you notice any different reactions from shoppers at different times of the day, or on different days of the week? If so, what? ____________________

  ____

  ____

  ____

- What has this experiment meant to you in terms of personal satisfaction, enjoyment of your work, etc.? ____________________

  ____

  ____

  ____

  ____

- What do you feel you've learned about people in general, and shoppers in particular, as a result of this experiment? ____________________

  ____

  ____

  ____

  ____

***Experiment 2. (second week)**

On pages III-5 to III-7 of Unit #5, you read of some ways to show a special interest in each customer's needs by asking questions and making suggestions. As your second personal experiment, for an entire week make a conscious effort to PUT THESE IDEAS INTO PRACTICE -- try out some of the examples of questions and suggestions in your contacts with customers. Then summarize your results below:

- In general, how did shoppers respond when you made a point to show a special interest in each customer's needs? ____________________

- What types of questions did you find most effective? (Try to be specific)

- What types of suggestions did you find most effective? (Again, be specific)

- What types of customers seemed most responsive to your questions and suggestions? ____________________

- What types of customers seemed least responsive to your questions and suggestions? ______________________________

____

____

- Did you notice any different reactions from shoppers at different time of the day, or on different days of the week? If so, what? ______________________________

____

____

____

____

- What has this experiment meant to you in terms of personal satisfaction, enjoyment of your work, etc.? ______________________________

____

____

____

____

____

- What do you feel you've learned about people in general, and shoppers in particular, as a result of this experiment? ______________________________

____

____

____

____

____

____

***Experiment 3. (third week)**

Pages III-8 and III-10 of Unit #5 contain some suggestions on handling customer complaints with tact and on maintaining a "customer is always right" outlook. As your third personal experiment, make a conscious effort to PUT THESE IDEAS INTO PRACTICE for a full week in handling any customer complaints and any difficult situations that might arise. Then, summarize your results below:

- In general, what response did you receive from shoppers when you followed the suggestions in Unit #5 for handling customer complaints and difficult situations? ______________________________

  ____

  ____

  ____

  ____

  ____

  ____

- What types of customer complaints did you encounter most often? How did you handle them? ______________________________

  ____

  ____

  ____

- What types of difficult situations did you encounter most often? How did you handle them? ______________________________

  ____

  ____

  ____

  ____

  ____

- Describe one unusual customer complaint or particularly difficult situation you handled well in the past week, tell how you handled it, and describe the customer's reactions. ____________________

- What has this experiment meant to you in terms of personal satisfaction, enjoyment of your work, etc.? ____________________

- What do you feel you've learned about people in general, and shoppers in particular, as a result of this experiment? ____________________

Experiment 4. (fourth week)

n page III-11 of Unit #5, there are a number of suggestions of ways for store mployees to take pride in doing the "little things" right by going out of their ay to do a bit more than is expected of them. As your fourth personal experiment, eview these suggestions and choose the ones that apply to your own particular b (or think of others which also apply). Then, for a full week, make a conscious ffort to PUT THESE IDEAS INTO PRACTICE in your own work. Note your results:

In general, how did shoppers respond to your willingness to do more than expected of you? ____________________

Which of the things that you did or said seemed to work most effectively?

What types of customers seemed most responsive? ____________________

- What types of customers seemed least responsive? ____________________

- What has this experiment meant to you in terms of personal satisfaction, enjoyment of your work, etc.? ____________________

- What do you feel you've learned about people in general, and shoppers in particular, as a result of this experiment? ____________________

***Experiment 5. (fifth week)**

Page III-12 of Unit #5 contains some ways to always display a friendly, helpful attitude. Review this page and, for an entire week, make a conscious effort to PUT THESE IDEAS INTO PRACTICE in your daily work. Summarize your results below:

- In general, how did shoppers respond to your effort to always display a friendly, helpful attitude? ____________________

- Which of the things that you did or said seemed to work most effectively?

- What types of customers seemed most responsive? ____________________

- What types of customers seemed least responsive?

- What has this experiment meant to you in terms of personal satisfaction, enjoyment of your work, etc.?

- What do you feel you've learned about people in general, and shoppers in particular, as a result of this experiment?

GUIDE FOR SELF-STUDY UNIT #6

The Grocery Department

Self-Study Unit #6 covers the Grocery Department -- the largest of the six major departments in a typical supermarket.

As you study Unit #6, note below any questions you might want to discuss later with the Store Manager or the Grocery Department Manager.

____

____

____

____

After you have finished studying Unit #6, complete the following questions marked (*) from your own observation or experience, and discuss the others with your Store Manager, the Grocery Department Manager, or others who can provide the information.

*1. Go through the entire Grocery Department in your store, paying particular attention to following items regarding the location and layout of the department. In the space provided, make notes of any points you might want to discuss later with your store Manager or Grocery Department Manager.

☐ The location of the department in relation to the other departments. _____

____

☐ The location of the various sections within the department. __________

____

☐ The various types of gondolas used in the department. ______________

____

☐ The customer traffic patterns in the department. _________________

____

2. Complete the following table covering the personnel employed in the Grocery Department.

Name	Job title	Part-time	Full-time	Major responsibilities
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	

3. Regarding the allocation of space in the Grocery Department:

- How is space in the department allocated among the various Sections or Product Categories? ________________

- How is space allocated among the various products, brands, and sizes within each section or product category? ________________

- Who determines the location of the various Sections in the department? How?

- Where are the major high-demand items and impulse items located? (Scattered throughout the department? In prime traffic locations? Etc.)

4. Regarding the sales performance and profitability of various Grocery Department items in your store: (NOTE: All this information may not be readily available.)

- What 3 product categories provide the highest rate of turnover?

1) ____________ 3) ____________

2) ____________

- What 3 product categories provide the lowest rate of turnover?

1) ____________ 3) ____________

2) ____________

- What 3 product categories account for the highest weekly unit sales?

1) ____________ 3) ____________

2) ____________

- What 3 product categories produce the highest weekly dollar sales?

1) ____________ 3) ____________

2) ____________

- What 3 product categories provide the highest weekly dollar sales per linear shelf foot?

1) ______________________ 3) ______________________

2) ______________________

- What 3 product categories provide the highest weekly gross profit?

1) ______________________ 3) ______________________

2) ______________________

- What 3 product categories provide the highest weekly gross profit per linear shelf foot?

1) ______________________ 3) ______________________

2) ______________________

- What 3 product categories provide the highest penny profit per unit?

1) ______________________ 3) ______________________

2) ______________________

- What 3 product categories provide the lowest penny profit per unit?

1) ______________________ 3) ______________________

2) ______________________

- What 3 product categories provide the highest annual return on inventory investment?

1) ______________________ 3) ______________________

2) ______________________

- What 3 product categories provide the lowest annual return on inventory investment?

1) ______________________ 3) ______________________

2) ______________________

5. What steps does your store take in order to:

- Maintain full-stocked shelves?
- Avoid out-of-stock conditions?
- Satisfy customers if an out-of-stock condition should arise?

6. Regarding the shelving of grocery items, how does your store determine:

- The number of facings an item should have?
- The shelf height at which an item should be located?
- The shelf position an item should occupy?

7. What steps are taken or what procedures are followed at your store to overcome or minimize the problem of shortage of space in the Grocery Department?

Regarding damaged and outdated goods in the Grocery Department of your store:

- Who is responsible for checking the condition and freshness of in-coming goods, and how is this done? ______________________________

  ____

  ____

  ____

- What procedures are followed to spot damaged or outdated goods on the shelves of the department? ______________________________

  ____

  ____

  ____

- What is the store's policy with respect to manufacturers' promotions ("cents off" deal packs, premium offers, etc.) which are no longer in effect?

  ____

  ____

  ____

- What are the department's employees instructed to do with an item that has become damaged or out-of-date? ______________________________

  ____

  ____

  ____

- How do manufacturers handle the return for credit or payment of items that are damaged or out-dated? ______________________________

  ____

  ____

  ____

What portion of the items stocked in the Grocery Department of your store sell:

- More than one case per week? ____________________
- More than two cases per week? ____________________
- More than six cases per week? ____________________
- More than ten cases per week? ____________________

. Regarding the ordering of products for the Grocery Department:

- How (and how often) do the department's personnel count shelf stock? ... Back-room stock? ____________________

  ____

  ____

  ____

  ____

  ____

- How (and how often) are Grocery Department items ordered? __________

  ____

  ____

  ____

. Regarding the receiving and storing of Grocery Department items in your store:

- How often are deliveries made to the store from the warehouse?

  ____

  ____

- Who is responsible for supervising unloading and stocking operations?

  ____

  ____

  ____

- What is the store owner's or manager's attitude toward the use of a night crew for unloading and stocking? (advantages and disadvantages, etc.)

- How is the back room arranged for easy receiving and handling?

- What security measures are taken during the receiving operation to prevent against --

  -- shortages in in-coming shipments?

  -- pilferage?

- What steps are taken to ensure that proper stock rotation procedures are followed?

12. Regarding the stocking of shelves in the Grocery Department:

- How (and how often) is shelf stock checked and replenished, if necessary?

  ____

  ____

  ____

- What is the procedure for price-marking items to be put on the shelves?

  ____

  ____

  ____

- What steps are followed to ensure that the old stock of an item is sold before the newer stock? ____________________

  ____

  ____

  ____

- What is the store owner's or manager's attitude toward the tray-pack method of stocking shelves? (advantages and disadvantages, etc.) ____________________

  ____

  ____

  ____

  ____

- What is the procedure for handling price changes in the department? ____________________

  ____

  ____

  ____

GUIDE FOR SELF-STUDY UNIT #7

The Meat Department

Self-Study Unit #7 covers the Meat Department, considered by many to be the most important department in a supermarket.

As you study Unit #7, note below any questions you might want to discuss later with the Store Manager or the Meat Department Manager.

____

____

____

____

After studying Unit #7, answer the following questions. Those questions marked (*) can probably be answered from your own observation and experience. The remaining questions should be taken up in a discussion with your Store Manager, the Meat Department Manager, or others who can provide the needed information.

*1. Notice the location and layout of the Meat Department in your store. Pay particular attention to the following. In the space provided, note any points you might want to discuss later with your Store Manager or Meat Department Manager.

☐ The location of the department in relation to the other departments.

____

☐ The types of display cases used in the department. ________________

____

☐ The location of the various types of products in the department. ________

____

☐ The arrangement of individual items in the display cases. ____________

____

☐ The customer traffic flow into and through the department. ____________

____

☐ The location of the display cases in relation to the cutting and wrapping room, and the backroom cooler.

☐ The location of the display cases in relation to outside doors, air conditioning ducts, dusty areas, etc. (drafty and dusty areas).

2. Complete the following table covering the personnel employed in the Meat Department.

Name	Job title	Part-time	Full-time	Major responsibilities
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	

3. Is your store's Meat Department a self-service, semi self-service, or butcher-service department? What are the store owner's or manager's chief reasons for having that type of department?

4. Regarding the allocation of space in the display cases of the Meat Department:

- How is space in the department allocated among the various Sections or types of meat? ______________________________

- How is space allocated among the various products within each Section or among each type of meat? ______________________________

- Who determines the location of the various Sections in the department? How?

- What are the major high-demand items and where are they located? The major impulse items? (Scattered throughout the department? In prime traffic locations? Etc.) ______________________________

5. The following table shows the national averages for the % of total dollar sales and the % of margin by type of meat you studied in Unit #7. Complete the table by filling in the comparable figures for your store and, if possible, for your company.

(NOTE: In some cases, these figures may not be readily available or they may be considered confidential. Also, in some stores, a break-down of total tonnage by type of meat is available, but not a break-down by sales; if so, fill in these figures.)

Type of	Share of Department Sales			% of Gross Margin		
Meat	Nat'l avg.	Your store	Your Co.	Nat'l avg.	Your store	Your Co.
Beef	35-45%	______%	______%	12-18%	______%	______%
Pork	10-13%	______%	______%	19-35%	______%	______%
Lamb	2-3%	______%	______%	19-35%	______%	______%
Veal	1-2%	______%	______%	19-35%	______%	______%
Luncheon	10-14%	______%	______%	18-35%	______%	______%
Smoked	12-20%	______%	______%	13-30%	______%	______%
Poultry	15-18%	______%	______%	8-15%	______%	______%
Fish	4-10%	______%	______%	15-35%	______%	______%
Variety	1-2%	______%	______%	15-35%	______%	______%

6. What is your store owner's or manager's attitude toward a 2-grade Beef system? (advantages and disadvantages, etc.) ______________________________

____

____

____

____

7. What grade (or grades) and brand (or brands) of Beef are sold in your store?

____

____

8. What method of pricing meat is used in your store? How does it work? ______

____

____

____

____

9. Regarding the packaging of meats in your store:

- What types of packaging materials are used to maintain product visibility, quality, and appearance? ____________________

- If your store's Meat Department is a self-service department --

  -- what steps are taken to ensure that the portion exposed to shoppers' view is representative of the whole piece? ____________________

  -- how and where is the label affixed to each package of meat? ____________________

  -- what does the label show? ____________________

  -- what steps are taken to protect the quality and appearance of each package of meat? ____________________

10. Regarding the promotion of meat in your store:

- What types of promotions seem to work most effectively? ______________________

- Where are feature items usually located in the department's display cases?

- How are shoppers' attention drawn to feature items? ______________________

11. What is your store's policy regarding cutting tests? (how often used? ... purposes? ... method of conducting tests? ... etc.) ______________________

12. What steps are taken to minimize the problem of shrinkage of meat in your store?

13. What is done to minimize bacterial deterioration of meat in your store?

14. What steps are taken to minimize the problem of discoloration of meat in your store?

15. Regarding the ordering of meat in your store:

- What are the most important factors to be considered in selecting suppliers of meat?
- How (and how often) is display case stock checked? ... cooler stock?
- How (and how often) is meat ordered? By whom?

16. Regarding the receiving, handling, and storing of meat in your store:

- How often are deliveries made to the store? ________________________

- Who supervises the unloading and stocking operations? ________________________

- In what form are products received at the store? (carcasses, hindquarters and forequarters, primal cuts) ________________________

- What procedures are followed in unloading the delivery trucks and moving products into the coolers? ________________________

- Where are products stored until they're prepared for sale? How (and at what levels) are temperature and humidity controlled to maintain freshness and appearance? ________________________

7. Regarding the cutting, trimming, and packaging of meats in your store:

- Where is meat cut and trimmed into finished retail cuts? What are the advantages of handling the cutting and trimming there?

- Who handles the packaging operation? What type of equipment is used?

- What system of code-dating packages is used?

GUIDE FOR SELF-STUDY UNIT #8

The Produce Department

elf-Study Unit #8 covers the Produce Department -- one of the most important and
rtainly one of the most appealing and attractive departments in a supermarket.

you study Unit #8, note below any questions you might want to discuss later
ith the Store Manager or the Produce Department Manager.

____

____

____

____

ter studying Unit #8, answer the questions below either from your own experience
d observation or in discussions with your Store Manager, the Produce Department
anager, or others who can provide the information.

Observe the location and layout of the Produce Department in your store, paying particular attention to the following. In the space provided, note any points you might want to discuss later with your Store Manager or Produce Department Manager.

☐ The location of the department in relation to other departments. ______

____

☐ The location of the department in relation to the produce preparation room.

____

☐ The types of display cases used in the department. ______________

____

☐ The location of the various types of display cases (wet rack, dry rack) or types of products (fruits, vegetables, etc.). ______________

____

☐ The width of the aisles in the department. ______________

____

☐ The location of the weighing or customer service station, if any. ______

______

☐ The availability of space for special displays and the location of special displays. ______

______

☐ The arrangement of products in the display cases. ______

______

☐ The customer traffic flow into and through the department. ______

______

2. Complete the following table covering the personnel employed in the Produce Department.

Name	Job title	Part-time	Full-time	Major responsibilities
______	______	☐	☐	______
______	______	☐	☐	______
______	______	☐	☐	______
______	______	☐	☐	______
______	______	☐	☐	______
______	______	☐	☐	______

3. Is your store's Produce Department a clerk-service or a customer-service department? What are the store owner's or manager's chief reasons for having that type of department? ______

______

______

______

______

4. Regarding the allocation of space in the Produce Department of your store:

- How is space in the department allocated to the various types of produce?

- Who determines the location for each type of produce? How?

- What portion of the department's total space is devoted to special displays?

Regarding the pricing of produce in your store:

- What method of pricing is used?

- What is the store's policy on mark-downs of produce items?

6. Regarding the packaging of produce in your store:

- What types of packaging materials are used to maintain product visibility, quality, and appearance? ____________________

  ____

  ____

  ____

- If your store's Produce Department is a self-service department --

  -- what steps are taken to ensure that the surfaces of a package exposed to shoppers' view are representative of the contents of the entire package?

  ____

  ____

  ____

  -- how and where is the label affixed to each package of produce? ____

  ____

  ____

  ____

  -- what does the label show? ____________________

  ____

  ____

  ____

  -- what steps are taken to protect the quality and appearance of each package of produce? ____________________

  ____

  ____

  ____

*7. Regarding the display of produce in your store:

- To what extent are products displayed in the department --

  -- by use? ______________________________

  ____

  -- by color contrast? ______________________________

  ____

- How are the major high-demand items and impulse items displayed? (Scattered throughout the department? In prime traffic locations? Etc.)

  ____

  ____

  ____

  ____

- How and where are seasonal items displayed? ______________________________

  ____

  ____

  ____

- What steps are taken to ensure that displays are kept full and inviting at all times? ______________________________

  ____

  ____

8. Regarding the promotion of produce in your store:

- What types of promotions seem to work most effectively? ______________________________

  ____

  ____

  ____

- Where are feature items displayed in the department?
- How are shoppers' attention drawn to feature items?
- How extensively are extension displays used?

9. What is done to minimize the problem of shrinkage of produce in your store?

10. What steps are taken to minimize spoilage of produce in your store --

-- in the backroom storage room and cooler?

-- in the display cases?

11. What is done to minimize damaged goods in your store?

12. What is done to eliminate weighing errors in your store?

13. Regarding the ordering of produce in your store:

- How (and how often) is shelf stock checked? Reserve stock?
- How (and how often) is produce ordered? By whom?
- How does the seasonal availability of produce affect the store's ordering procedures?

14. Regarding the receiving, handling, and storing of produce in your store:

- How often are deliveries made to the store?
- Who supervises the unloading and stocking operations?
- What procedures are followed in unloading the delivery trucks and moving products into storage?
- Where are products stored until they're prepared for sale? How (and at what levels) are temperature and humidity controlled to maintain freshness and quality?
- What happens to produce items from the time they're taken from bulk storage till they're put out for sale in the display cases?
- What system of code-dating produce is used?

GUIDE FOR SELF-STUDY UNIT #9

The Dairy Department

Self-Study Unit #9 covers the Dairy Department -- a stable contributor to store sales and profits.

As you study Unit #9, note any questions you might want to discuss later with the Store Manager or the person in charge of the Dairy Department.

____

____

____

____

After you have studied Unit #9, answer the following questions. Those questions marked (*) can be answered from your own experience and observation, but the remaining questions should be discussed with your Store Manager or others who can provide the information.

*1. Inspect the Dairy Department, paying particular attention to the following items regarding location and layout of the department. In the space provided, note any points you might want to discuss later with your Store Manager or the person in charge of the Dairy Department.

☐ The location of the department in relation to the other departments.

____

☐ The type of layout of the department (straight-line, split, or L-shape).

____

☐ The location of the various sections within the department. __________

____

☐ The types of display cases used in the department. __________

____

☐ The arrangement of items in the display cases. __________

____

☐ The location of the department in relation to the backroom cooler. _____

____

☐ The customer traffic flow into and through the department. __________

____

2. Complete the following table covering the personnel employed in the Dairy Department.

Name	Job title	Part-time	Full-time	Major responsibilities
____________	__________	☐	☐	____________
____________	__________	☐	☐	____________
____________	__________	☐	☐	____________

3. Regarding the allocation of space in the Dairy Department:

- How is space allocated among the various Sections or product categories?

  ____

  ____

  ____

- How is space allocated among the various products, brands, and sizes within each Section or product category? ______________

  ____

  ____

  ____

- Where are the major high-demand items located? __________

  ____

  ____

  ____

- Where are the major impulse items located? ______________________

____

____

4. Fill in the % of total dollar sales in your store (and, if possible, in your company) for the major high-demand items in the Dairy Department. (For purposes of comparison, the national averages you studied in Unit #9 are given below.)

Product Group	Nat'l. avg.	Your store	Your company
Milk	35%	_____%	_____%
Eggs	15%	_____%	_____%
Margarine	14%	_____%	_____%
Ice Cream	10%	_____%	_____%
Butter	6%	_____%	_____%

*5. Regarding the display of dairy items in your store:

- Which of the four approaches to display of high-demand items are used in your store?

  ☐ Scattered throughout the department.

  ☐ Positioned together at the end of the traffic flow.

  ☐ Displayed on the bottom shelf, with semi-demand items on the middle shelves and impulse items on the top shelves.

  ☐ Grouped vertically in the center of the department.

- To what extent are products displayed in the department --

  -- by color combinations? ______________________

  ____

  -- by color contrast? ______________________

  ____

6. Regarding the promotion of dairy items in your store:

- To what extent are special displays used? What types of displays? For what products? ______________________________

  ____

  ____

  ____

- To what extent are merchandising materials (such as shelf talker, product spotters, and signs) used? ______________________________

  ____

  ____

- What types of promotions are most effective in the department? __________

  ____

  ____

  ____

- How extensively is sampling used? ______________________________

  ____

7. What steps are taken to overcome the problem of sanitation in the department?

- How often are the display cases cleaned? ______________________________

- How are they cleaned? ______________________________

  ____

  ____

8. What is done to minimize the occurance of damaged and outdated goods in your store? ______________________________

____

____

____

9. Regarding the ordering of dairy items in your store:

- Which items are "direct delivered" items (delivered by the suppliers' trucks and stocked directly into the display cases)?

- What precautions are taken to prevent shortages in direct delivered items?

- How often does the store receive deliveries of the various major dairy items?

  -- Milk
  -- Eggs
  -- Margarine
  -- Ice Cream
  -- Butter
  -- Cheese

10. Regarding the receiving, handling, and storing of dairy items at your store:

- What advance preparations are taken before scheduled delivery of items to be placed --

  -- directly in the display cases?

  -- in the reserve cooler?

- Who supervises the unloading and stocking operations? ________________

  ____

- What system of stock rotation is used --

  -- for the display case stock? ________________

  ____

  ____

  -- for reserve stock? ________________

  ____

  ____

- What temperature and humidity levels should be maintained --

  -- in the display cases? ________________

  ____

  ____

  -- in the reserve cooler? ________________

  ____

  ____

- What steps are taken to ensure that proper temperature and humidity levels are maintained --

  -- in the display cases? ________________

  ____

  ____

  -- in the reserve cooler? ________________

  ____

  ____

GUIDE FOR SELF-STUDY UNIT #10

The Frozen Foods Department

Self-Study Unit #10 covers the Frozen Foods Department -- a department that provides outstanding potential for increased sales and profits.

As you study Unit #10, note any questions you might want to discuss later with the Store Manager or the person in charge of the Frozen Foods Department.

____

____

____

____

After you have studied Unit #10, complete the following questions marked (*) from your own observation or experience, and discuss the others with your Store Manager or others who can provide the information.

*1. Look around the Frozen Foods Department in your store, paying particular attention to the following items regarding the location and layout of the department. In the space provided, make notes of any points you might want to discuss later with your Store Manager or the person in charge of the Frozen Foods Department.

☐ The location of the department in relation to the other departments.

____

☐ The types of display freezers used in the department. ____________

____

☐ The arrangement of products in the display freezers. ____________

____

☐ The location of the department in relation to the backroom storage freezer.

____

☐ The customer traffic flow into and through the department. ____________

____

2. Complete the following table covering the personnel employed in the Frozen Foods Department.

Name	Job title	Part-time	Full-time	Major responsibilities
		☐	☐	
		☐	☐	
		☐	☐	
		☐	☐	

3. Regarding the allocation of space in the Frozen Foods Department in your store:

- How is space allocated among the various product categories?

- How is space allocated among the various products, brands, and sizes within each Section or product category?

- What are the major high-demand items and where are they located? The major impulse items?

4. What percent of total dollar sales in the department is accounted for by frozen juices? ________% By frozen vegetables? __________%

What is the average margin on frozen juices? ________% On frozen vegetables? ________%

5. Regarding product management in the Frozen Foods Department of your store:

- How does the store achieve a balance between established and new items? What factors are considered regarding whether or not to stock a new item?

____

____

____

____

- How does the store try to achieve a balance between basic items and specialty items? What types of specialty items seem to sell best in your store?

____

____

____

____

- What steps are taken to eliminate slow-moving items? ____________

____

____

____

- What is done to avoid out-of-stock conditions? ______________

____

____

____

- What is the store's policy regarding the number of brands to stock --

  -- for slow-moving items? ______________________________

  -- for faster-moving items? ______________________________

*6. Regarding the display of frozen items in your store:

- Where are the major high-demand items located? Where are semi-demand items and impulse items located in relation to the major high-demand items?

- To what extent are special displays used in the department? What types of displays? For what products? ______________________________

7. Regarding the promotion of frozen foods in your store:

- To what extent are frozen items featured in the store's advertisements? What types of items, generally?
- What does the store do to call shoppers' attention to featured items?
- What types of promotions are most effective in the department?
- How extensively are frozen items sampled in your store? What types of items?

8. What is done to ensure that frozen foods are maintained at the proper temperature:

- In the display cases?
- In the backroom freezer?

9. Regarding the maintenance of equipment in the Frozen Foods Department:

- How (and how often) are the frozen foods cases defrosted and cleaned?
- How (and how often) is the backroom freezer defrosted and cleaned?

10. Regarding the stocking of display cases in your store:

- What is done to ensure that frozen foods are price-marked and put into the display cases quickly?
- What is done to ensure that display cases are stocked to the proper level?
- What is done to prevent out-of-stock conditions in the department?

11. Regarding the receiving, handling, and storing of frozen foods in your store:

- How often are deliveries made to the store? ____________________

  ____

  ____

- Who supervises the unloading and stocking operations? ____________________

  ____

- What advance preparation is required before in-coming shipments of frozen items arrive? ____________________

  ____

  ____

  ____

  ____

- What procedures are followed in unloading delivery trucks and moving products immediately into the storage freezer? ____________________

  ____

  ____

  ____

  ____

12. What is the store's policy regarding the bagging of frozen foods at the check-out counters? ____________________

____

____

____

____

____

GUIDE FOR SELF-STUDY UNIT #11

The Bakery Department

Self-Study Unit #11 covers the Bakery Department -- another stable contributor to store sales and profits.

As you study Unit #11, note any questions you might want to discuss later with the Store Manager or personnel in charge of the Bakery Department.

____

____

____

____

After you have studied Unit #11, answer the following questions, either from your own experience and observation or as a result of discussion with your Store Manager or others who can provide the information.

THE BAKED GOODS DEPARTMENT

*1. Look around the Baked Goods Department in your store, paying particular attention to the location and layout of the department, especially the following items. In the space provided alongside each item below, note any points you might want to discuss later with your Store Manager or the person in charge of the Baked Goods Department.

☐ The location of the department in relation to other departments. ________

____

☐ The types of gondolas used in the department. ____________________

____

☐ The arrangement of items in the department. (horizontal, "sandwich", scattered, or vertical layout). ____________________

____

☐ The location of the department in relation to --

-- the On-Premise Bakery. ____________________

-- the Fancy Baked Goods Section. ____________________

-- the Bake-Off Operation. ____________________

☐ The customer traffic flow into and through the department. ________________

____

☐ The location of the department as an influencer of store traffic patterns.

____

2. Complete the following table covering the personnel employed in the Baked Goods Department.

Name	Job title	Part-time	Full-time	Major responsibilities
________________	________________	☐	☐	________________
________________	________________	☐	☐	________________
________________	________________	☐	☐	________________
________________	________________	☐	☐	________________

3. Regarding the allocation of space in the Baked Goods Department:

- How is space allocated among the various product categories? ________________

  ____

  ____

  ____

  ____

- What are the major high-demand items and where are they located? The major impulse items? ____

  ____

  ____

  ____

  ____

  ____

4. Regarding the pricing of baked goods in your store:

- What method of pricing is used? ______________________________

  ____

  ____

- What is the store's policy on mark-downs of day-old baked goods or stales?

  ____

  ____

  ____

*5. Regarding the display of baked goods in your store:

- To what extent are products displayed in the department --

  -- by end-use? ______________________________

  ____

  -- by color contrast? ______________________________

  ____

- To what extent are special displays used? What types of displays? For what products? ______________________________

  ____

  ____

- Where are seasonal items displayed? ______________________________

  ____

  ____

- Where are feature items displayed? ______________________________

  ____

  ____

6. Regarding the promotion of baked goods in your store:

- What types of promotions are most effective? ______________________________
- What is done to call shoppers' attention to featured items? ______________________________
- To what extent is sampling used? What items are sampled? ______________________________

7. What is done to minimize the problem of damaged goods in your store?

____

8. What is the store's policy regarding outdated goods? ______________________________

9. Regarding the ordering of baked goods in your store:

- Who determines the quantities of items to be ordered? How? ____________

____

____

- Which baked items are "direct delivered" items? ____________

____

____

- How many suppliers of baked goods does the store use? ____________

____

10. Regarding the receiving, handling, and storing of baked goods in your store:

- How often are deliveries made to the store? ____________

____

____

- Who supervised the delivery of direct delivered items? ____________

____

- Where is reserve stock of baked goods stored until shelved? ____________

____

____

- What stock rotation procedures are used to ensure freshness of items offered for sale in the Baked Goods Department? ____________

____

____

____

____

THE FANCY BAKED GOODS SECTION

*11. If your store contains a Fancy Baked Goods Section, inspect the Section paying particular attention to the following items regarding the location and layout of the Section. In the space provided, make notes of any points you might want to discuss later with your Store Manager or the person in charge of the Section.

☐ The location of the Section in relation to other departments. ____________

____

☐ The types of display cases used in the Section. ____________

____

☐ The arrangement of items in the Section. ____________

____

☐ The customer traffic flow into and through the Section. ____________

____

12. Regarding the allocation of space in the Fancy Baked Goods Section:

- How is space allocated among the various types of products? ____________

  ____

  ____

  ____

- What are the major high-demand items and where are they located? The major impulse items? ____________

  ____

  ____

  ____

  ____

  ____

13. Regarding the pricing of Fancy Baked Goods in your store:

- Is the Section owned and operated by the store or by an outside baking company? ______________________________

- If owned and operated by the store --

  -- What method of pricing is used? ______________________________

  ____

  -- What is the store's policy on mark-downs? ______________________________

  ____

  ____

- If operated by an outside baking company --

  -- To what degree does the store have a voice in the prices charged for the items sold? ______________________________

  ____

  ____

  -- How much does the store receive for permitting the Section in the store? On what basis is the payment figured? (percentage of dollar sales? flat monthly rental? percentage of gross profit? etc.)

  ____

  ____

*14. Regarding the display of Fancy Baked Goods in your store:

- To what extent are products displayed in the Section --

  -- by end-use? ______________________________

  ____

  -- by color combinations? ______________________________

  ____

- To what extent are special displays used? What types of displays? For what products? ______________________________

  ____

  ____

- Where are feature items displayed? ______________________________

  ____

  ____

15. Regarding the promotion of Fancy Baked Goods in your store:

    - What types of promotions are used? Which types are most effective?

      ____

      ____

      ____

    - What is done to call shoppers' attention to featured items? ____________

      ____

      ____

      ____

    - To what extent is sampling used? ______________________________

      ____

      ____

      ____

16. Regarding damaged and outdated goods in the Fancy Baked Goods Section:

    - What is done to minimize the problem of damaged goods? ____________

      ____

      ____

- What is the store's policy regarding outdated Fancy Baked Goods?

17. Regarding the receiving, storing, and handling of Fancy Baked Goods in your store:

- How often are deliveries made to the store?

- How much reserve stock of items is delivered? Where is reserve stock kept?

- What stock rotation procedures are used to ensure freshness of items offered for sale in the Fancy Baked Goods Section?

THE ON-PREMISE BAKERY OR BAKE-OFF OPERATION

*18. If your store contains an On-Premise Bakery or a Bake-Off Operation, observe the operation, paying particular attention to the location and layout. In the space provided below, note any points you might want to discuss later with your Store Manager or the Manager of the baking operation.

☐ The location of the operation in relation to other departments.

☐ The types of display equipment used in the operation.

☐ The arrangement of items in the display cases. ______________________

☐ The customer traffic flow into and through the display area. __________

____

☐ The types of baking equipment used in the operation. ______________

____

☐ The flow of products from the ingredient or semi-finished stage to the finished stage. ____

____

19. What is the store owner's or manager's attitude toward an On-Premise Bakery and a Bake-Off Operation? (advantages and disadvantages)

____

____

____

____

____

20. Regarding the pricing of fresh-baked goods in your store:

- Is the operation owned and operated by the store or by an outside baking company? ____
- If owned and operated by the store --

  -- What is the operation's "break-even point" in terms of weekly dollar sales? ____

  -- What method of pricing is used? ______________________________

  ____

  ____

-- What is the store's policy on mark-downs? ____________________

____

____

- If operated by an outside baking company --

-- To what degree does the store have a voice in the prices charged for items sold? ____________________

____

____

-- How much does the store receive for permitting the operation in the store? On what basis is this payment figured? (percentage of dollar sales? flat monthly rental? percentage of gross profit? etc.)

____

____

21. Regarding the display of fresh-baked goods in your store:

- How are products displayed? ____________________

____

____

- To what extent are special displays used? What types of displays? For what products? ____________________

____

____

____

- Where are feature items displayed? ____________________

____

____

22. Regarding the promotion of fresh-baked goods in your store:

- What types of promotions are used? Which types are most effective?
- What is done to call shoppers' attention to featured items?
- To what extent is sampling used?

23. Regarding damaged and outdated goods in the On-Premise Bakery or the Bake-Off Operation:

- What is done to minimize the problem of damaged goods?
- What is done with products that are damaged in baking or through careless handling?
- What is the store's policy regarding outdated goods?

24. Regarding the receiving, storing, and handling of ingredients or semi-finished goods in your store:

- How are products ordered? By whom?

- How are production schedules determined? By whom? ____________________

  ____

  ____

- How often are deliveries made? ______________________________________

  ____

  ____

- How and where are products stored until used? ________________________

  ____

  ____

25. What are the major problems of an On-Premise Bakery, and what procedures or policies are followed to minimize or overcome them? ____________________

    ____

    ____

    ____

    ____

26. What are the major problems of a Bake-Off Operation, and what procedures or policies are followed to minimize or overcome them? ____________________

    ____

    ____

    ____

    ____

    ____

GUIDE FOR SELF-STUDY UNIT #12

The Front End

Self-Study Unit #12 covers the Front End -- probably the most important area of the store from the standpoint of building customer satisfaction and good will.

As you study Unit #12, note any questions you might want to discuss later with the Store Manager or the Front End Manager or Head Checker.

After you've studied Unit #12, complete the following questions. Those questions makred (*) can probably be answered from your own experience or observation, and the others can be answered as a result of discussions with your Store Manager, the Front End Manager or Head Checker, or others.

*1. Observe the operation of the Front End, paying particular attention to the location and layout of the operation. In the space provided for each item below, note any points you might want to discuss later with your Store Manager or the Front End Manager or Head Checker.

- ☐ The location of the courtesy booth in relation to the checkstands.
- ☐ The use of express check-out lanes, and their location in relation to other checkstands and to the courtesy booth.
- ☐ The types of checkstands used.
- ☐ The types of cash registers used at the check-outs.
- ☐ The special items of equipment which add to the efficiency of the check-out operation.

☐ The steps in completing a customer transaction.

☐ The steps in bagging a customer's purchase.

☐ The methods used in carrying-out customers' purchases.

2. What procedures are followed in handling bottle returns in your store?

3. What is your store's policy regarding merchandise returns?

4. What procedures are established to facilitate handling of customer complaints in your store?

5. What is your store's policy regarding cashing checks for customers?

6. Regarding merchandising at the Front End in your store:

- What types of displays are used near the front entrance? What types of products are displayed?

- What types of displays are found in front of the checkstands? What types of products are displayed? ______________________________

  ____

  ____

  ____

- What types of displays are used on or around the checkstands? What types of products are displayed? ______________________________

  ____

  ____

  ____

- What types of displays are used beyond the checkstands, near the exit? What types of products are displayed? ______________________________

  ____

  ____

  ____

7. If possible, determine the following regarding the operations of the Front End in your store. For purposes of comparison, the figures you studied in Unit #12 are given below. (NOTE: Some of the figures called for below might not be readily available or might be confidential.)

	Unit #12	Your Store
• total number of customer transactions handled per week	5,600	________
• customer transactions per week per checkstand	1,500	________
• amount of average customer transaction	$4.85	________
• total sales per checkstand per week	$7,000	________
• transactions per hour, checker	25	________
• transactions per hour, checker-bagger	43	________
• transactions per hour, checker-bagger-cashier	72	________

8. What are checkers instructed to do:

- When they encounter an item that is not price-marked or that has an illegible price-marking?

- When they have discovered they've made an error in ringing-up a customer's purchase?

- When they have discovered they've made an error in making change?

- When they suspect a shopper is attempting to shop-lift?

9. How are checkers notified about price-changes? ... the prices of special-sale items? ... other prices?

10. What type of customer carry-out system is used in your store? What is your store owner's or manager's attitude regarding this system? (advantages and disadvantages)

GUIDE FOR SELF-STUDY UNIT #13

Other Departments in the Supermarket

Self-Study Unit #13 covers the "other" departments in the supermarket -- the Delicatessen; Non-Foods; the Beer, Wine, and Liquor Department; and the Pharmacy.

As you study Unit #13, note any questions you might want to discuss later with the Store Manager or others.

After you have studied Unit #13, answer the following questions. Questions marked (*) can be answered from your own experience or observation. The other questions should be discussed with your Store Manager, the managers of these "other" departments, or others who can provide the information.

THE DELICATESSEN DEPARTMENT

*1. If your store contains a Delicatessen Department, observe the department's location and layout, paying particular attention to the items below. Use the space provided for notes of points you might want to discuss later with your Store Manager or the Delicatessen Manager.

- ☐ The location of the department in relation to other departments.
- ☐ The types of display equipment used in the department.
- ☐ The arrangement of items in the display cases.
- ☐ The types of food-preparation equipment used in the department.
- ☐ The steps in preparing items for sale.

☐ The other services offered by the department, such as --

-- catering. ______________________________

-- special-request meals. ______________________________

-- delivery. ______________________________

☐ The customer traffic flow into and through the department. __________

____

2. Regarding the types of products offered for sale in your store:

- What major categories of products are sold in the Delicatessen Department?

  ____

  ____

  ____

- How extensive a variety is offered within each category? __________

  ____

  ____

  ____

- How do the products offered seem to meet the needs and desires of the people living in the store's trading area? __________

  ____

  ____

  ____

3. Determine the following regarding the sales and profitability of the Delicatessen Department in your store. (For purposes of comparison, the figures you studied in Unit #13 are given below.)

	Unit #13	Your Store
• % of store's total dollar sales	2%	______%
• weekly dollar sales per square foot	$6.00	________
• % of gross margin	35 - 45%	______%

4. Regarding the pricing of delicatessen items in your store:

- Is the department owned and operated by the store or by an outside company? ______

- If owned and operated by the store --

  -- What method of pricing is used? ______

  -- What does the department charge for special services (such as catering, fully-prepared meals, delivery, etc.)? ______

- If operated by an outside firm --

  -- To what degree does the store have a voice in the prices charged for items sold? ______

  -- How much does the store receive for permitting the department in the store? On what basis is this payment figured? ______

5. Regarding the promotion of delicatessen items in your store:

- What types of promotions are used? Which are most effective?

- How often and to what extent is the Delicatessen Department included in the store's advertisements? ______

- What is done to call shoppers' attention to featured items? ____________

- To what extent is sampling used? What items are sampled? ____________

6. Regarding the major problems in the Delicatessen Department of your store:

   - What methods are employed to hire and train personnel for the department?

   - What procedures are followed to maintain product quality and appearance?

   - What procedures are followed to maintain the cleanliness of the --

     -- display cases? ____________

     -- equipment? ____________

     -- utensils? ____________

NON-FOODS OR GENERAL MERCHANDISE

*7. Look around the non-foods sections of your store -- Health and Beauty Aids, Housewares, Soft Goods, Magazines, Stationery, and Toys. Pay particular attention to the items below regarding the location and layout of each section. Make notes on any points you might want to discuss with your Store Manager.

☐ The location of each Section in relation to the other departments.

☐ The types of display equipment in each Section.

☐ The arrangement of items in each Section.

☐ The price-marking of items in each Section.

☐ The customer traffic flow into and through each Section.

8. Regarding the types of non-food items offered for sale in your store:

- What categories of non-foods are sold?
- How extensive a variety is offered within each Section or category?

9. Determine the following regarding the sales and profitability of non-foods in your store. (For purposes of comparison, the figures you studied in Unit #13 are given below.)

	Unit #13	Your Store
● % of store's total dollar sales	5%	________%
● % of store's total gross profit dollars	8%	________%
● % of gross margin	30%	________%
● Annual rate of turnover	13	________

10. Regarding the pricing of non-foods in your store:

- What source of supply is used for Health and Beauty Aids? For other non-foods? ____

  ____

  ____

- If your store obtains non-foods from the company's own warehouse, from a grocery wholesaler, or direct from the manufacturer, what method of pricing is used? ____

  ____

  ____

- If the store obtains non-foods from a Rack Jobber or a Toiletry Merchandiser --

  -- To what degree does the store have a voice in the prices charged for the items sold? ____

  ____

  ____

  -- How much does the store receive from the supplier? On what basis is this payment figured? ____

  ____

  ____

11. Regarding the display of non-foods in your store:

- Who is responsible for maintaining the shelf stocks of non-foods?

- What is done to prevent out-of-stock conditions?

- How and where are seasonal items displayed?

- Where are the major high-demand items displayed in each Section? The major impulse items?

12. Regarding the promotion of non-foods in your store:

- To what extent are special displays used? What types of displays? For what products?

- What types of promotions are most effective?

- How often and to what extent are non-foods included in the store's advertisements?

- What is done to call shoppers' attention to featured items?

13. Regarding the problem of over-buying seasonal non-food items in your store:

- What is done to prevent over-buying?

- How is excess merchandise disposed of?

14. Regarding the problem of pilferage of non-foods in your store:

- What is done to reduce the possibility of pilferage? ______

- How inventory control procedures are used for small, easy-to-conceal non-food items? ______

THE BEER, WINE, AND LIQUOR DEPARTMENT

15. What is your store owner's or manager's attitude toward the sale of Beer, Wine, and/or Liquor in the store? (advantages and disadvantages)

16. If your store sells Beer, Wine, and/or Liquor:

- What portion of the store's sales and gross profit are accounted for by these items? What % of margin do they carry?

  Beer: ______

  Wine: ______

  Liquor: ______

- What procedures are followed to minimize pilferage of these items --
  -- by customers?

  -- by suppliers' representatives?

  -- by store employees?

- What in-store merchandising is used to stimulate impulse sales of Beer, Wine, and Liquor?

- What is done to minimize the loss due to breakage of these items?

- What steps are taken to control temperature and humidity for these items?

THE PHARMACY

17. What is your store owner's or manager's attitude toward the location of a store-operated Pharmacy in or adjacent to the store? (advantages and disadvantages) ______________________________

18. If your store includes a Pharmacy:

- What portion of the store's sales and gross profit are accounted for by the Pharmacy? What % of margin do drugs and prescriptions carry?

- What special problems arise in a Pharmacy operation, and what steps are taken to control or overcome them? ______________________________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 1

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Grocery Industry... Past, Present, and Future

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations :

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

FOREWORD

Science tells us that an average adult male can obtain all needed nutrients from a diet of wheat flour, cabbage, spinach, evaporated milk, and dried navy beans ... at a cost of less than $100 per year.

Another diet consisting of 57 commodities (including many types of meat, fresh fruits and vegetables, as well as ice cream, cake, candy and other desserts) also provides all essential nutritional requirements for the average adult male, together with greater palatability and variety ... at a cost of about $200 per year.

In 1964, the average American spent well over $300 in retail food stores. Though about $15 of this was for non-food items (health and beauty aids, magazines, and such), the fact remains that the average person spends three times the amount necessary for adequate nutrition!

Why this big difference between what Americans COULD spend for food, and what we actually DO spend?

The answer is that we want and demand greater variety and palatability in our meals than either of the above diets provide ... and we are willing to spend more to get it. We have been brought up to believe that nutrition, though important, is only one of the factors to be considered in preparing a satisfactory meal!

In fact, Americans today are the best-fed people on earth. We enjoy a fuller, more diversified, more appealing diet than is found anywhere else in the world. For example, we think nothing of importing foods from all parts of the globe, in order to achieve a more varied menu.

As a result, Americans are healthier, happier, and more industrious than any nation of people since the beginning of time -- and we live longer!

As part of the largest, most important industry in our country -- the food industry -- you should be proud of the role you play in helping the people of your community achieve the health, happiness, and well-being that comes from a palatable, nutritious, balanced diet.

INTRODUCTION TO SELF-STUDY UNIT #1

This is the first of a series of Self-Study Units covering many aspects of the retail food industry. Although some of the information contained in these Units will admittedly not be immediately useful to you, it should serve to broaden your awareness of the total scope of operations in a typical retail food store, and thereby help make your work more interesting and more rewarding.

A great many sources of information have been utilized in assembling the material presented in these Self-Study Units. Inevitably, whenever numerous sources are used in such a work, there will be some points of disagreement, particularly with respect to statistical data. In such cases, a judgment must be made regarding which source to use. In these Units, the concensus of opinion of various sources is presented in some instances, and the opinion of the most widely recognized authority on the point in question is used in other instances.

A simple example will serve to illustrate. A grocery "chain" is defined by various people in the industry as anywhere from "2 or more stores" under common ownership to "11 or more stores". Obviously, all statistics and other information relating to chains will vary, depending on the definition used. Thus, in these Units, it has been necessary to select a single definition in the initial discussion of chains, and stick with it whenever later reference is made to chains in subsequent Units.

Incidentally -- parts of the Self-Study Units in this series employ a method of self-learning called programed learning. As you'll see if you flip through Section II of this booklet, a programed learning course is unlike any other book you have ever seen. You will see more about programed learning before you begin your study of Section II.

In this Unit, then, we will explore some of the interesting facts about the industry of which you are an important part:

I. A BRIEF HISTORY OF THE RETAIL FOOD INDUSTRY

II. THE RETAIL FOOD INDUSTRY TODAY

  A. Size of the Industry

  B. Food -- the Greatest Bargain in America Today

III. OUTLOOK FOR THE RETAIL FOOD INDUSTRY

I. A BRIEF HISTORY OF THE RETAIL FOOD INDUSTRY

The story of the retail food industry is a story of dynamic growth and progress wherein change has been the rule, not the exception. Sometimes abrupt and dramatic, sometimes gradual and subtle, the changes that have taken place in the industry have closely paralleled the changes in our national way of life. It is indeed remarkable that an industry of the size and scope of the retail grocery industry has been able to anticipate shifts in American living patterns and adapt to them successfully, in order that the public might best be served.

Even today, important changes are taking place -- some apparent, others not so apparent. In order to understand these changes in their proper perspective -- to understand the industry today and your part in it -- you must first know something of the history of the industry, and how and why it evolved to its present state.

THE TRADING POST (to 1700)

From the founding of Jamestown in 1607 and the arrival of the Pilgrims in 1620 until the time of the Civil War, America was predominantly an agricultural nation. Each family (or, in the case of some early settlements, an entire communal group) was virtually self-sufficient. People grew their own vegetables and grain, milled their own flour, and kept their own poultry and livestock. They baked their own bread, churned their own butter, produced household items such as candles and soap, and often made their own clothing.

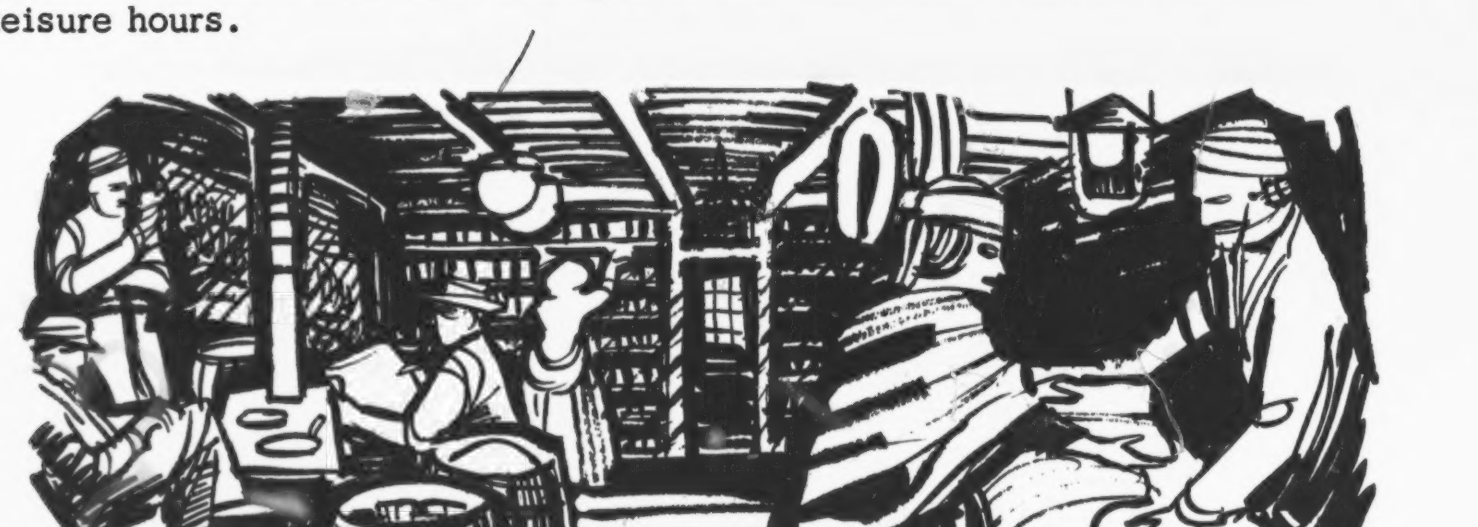
Whenever a new group of settlers landed in the New World, they first made peace with the Indians or built fortifications for protection against unfriendly tribes. Then they set about clearing the land, building their log cabins, and planting their crops. The few items they could not produce themselves -- such as tea, salt, spices, and some items of clothing -- were brought over from Europe and obtained at trading posts in exchange for animal furs.

The trading post, then, was the first retail establishment in this country. Although chiefly engaged in barter with the Indians and trappers living in the wilderness, the trading post served as the lone link with Europe and the past for the early settlers on the East Coast. And, when adventuresome pioneers moved inland in the latter part of the 17th century and the early 18th century, trading posts sprung up along the new frontiers. Later, pioneers under such leaders as Daniel Boone who ventured into the uncharted lands west of the Appalachians often found isolated trading posts already established there!

The rapid growth of the coastal settlements in the late 1600's produced a change in the character of trading posts there -- the trading post gradually evolved into a general store principally devoted to serving the colonists, rather than trading with Indians and trappers. However, the trading post remained as an important factor until well after 1800 in the Middle West and until the late 1800's in sparcely populated sections of the West.

THE GENERAL STORE (1700-1860)

The general store carried a wide variety of merchandise for the farm and the home -- hardware, drugs, dry goods, farm implements, tools, household items, and food. Usually, it also served as the local post office and the gathering place where male members of the community whiled away their leisure hours.



The general store thrived in an agricultural society. Since people grew much of their own food, only about 100 food items were stocked and these were in bulk form -- sacks of flour, barrels of lard, large slabs of soap. The storekeeper sold whatever quantities his customers asked for, measuring or estimating the desired quantity while the customer waited. The general store was entirely clerk-service, and credit of up to a year's duration was customary.

The general store, like the trading post, evolved to meet the needs of the times. By 1700, the settlements of the East Coast were firmly established ... the fight for survival, for a foothold in the New World, had been fought and won. Now, people sought to build up their manufacturing capacity, to reduce their reliance on Europe. Craftsmen (such as shoe makers, candle makers, and blacksmiths) specialized in the production of certain items, establishing small shops in the tiny villages that had developed. As a result, families began to rely on others for certain necessities, including some food products.

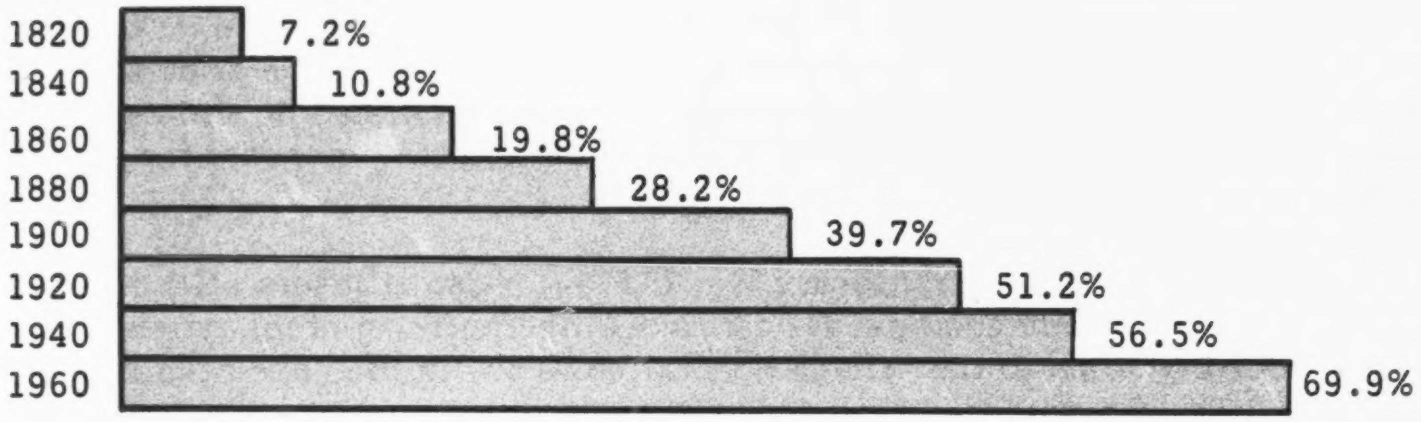
As late as the Revolutionary War (1775), most villagers still produced a large portion of their food needs; farmers in the outlying areas provided the rest by selling crops to the village general store or, in the case of grain, to a local miller who produced flour for sale through the general store. Thus, the general store of the 18th century served as an outlet for manufactured items produced locally and imported from Europe, as well as for food products.

After the Revolutionary War, the new United States of America exercised its independence by virtually severing all ties with Europe. The sharp cut in imports from Europe resulted in an increased emphasis on manufacturing. Craftsmen in the villages of the East Coast concentrated more and more on their particular trades, leaving the job of food production to the farmers. Except for a small vegetable patch, a few chickens and a cow cared for by the woman of the house, most villagers now bought their food instead of producing it themselves.

Since the general store was principally geared to serve an agricultural society, its decline in importance was a direct result of the increase in industrial activity and the accompanying increase in urban centers. Although this started on the East Coast before 1800, the general store remained as the dominant retail establishment until the Civil War in other parts of the country, where people still grew much of their own food. And, in areas which were mainly agricultural, it survived even into the 20th century.

The transition from an agricultural society to an industrial society, and the trend toward urbanization which is continuing even to this day, began to spread throughout the country in the 1840's. In 1840, there were 131 towns and cities of 2,500 people or more, an increase from 61 in 1820. By 1860, however, the number had skyrocketed to 391. By 1880, the figure was 939; and by 1900 it was 1,737.

The percentage of the total population living in towns and cities of 2,500 or more has moved steadily upward since 1840, as shown in the chart below:



Percent of total population living in cities and towns of 2,500 or more

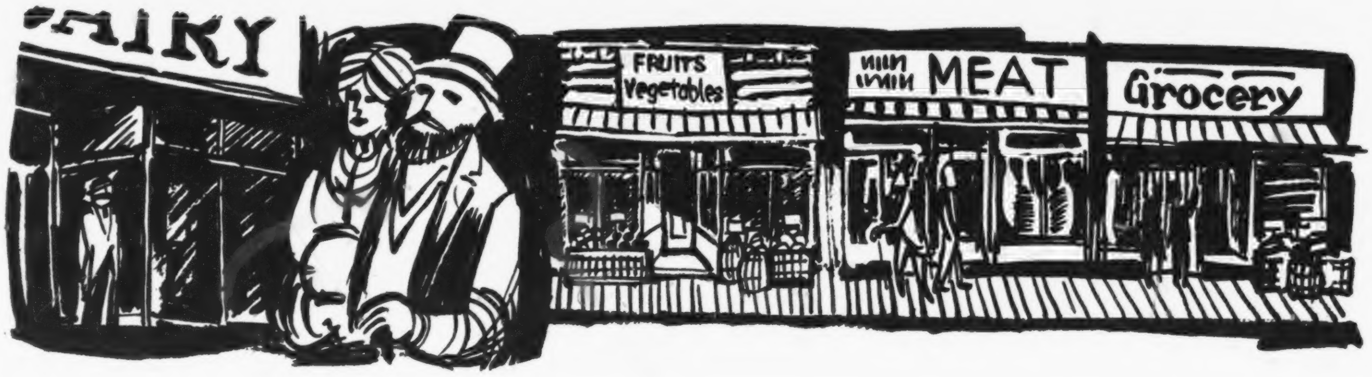
In the rapidly developing, urban industrial society of the mid-1800's, a 12- or 14-hour work day was not unusual, and cities were highly congested. As a result, people had neither the time nor the vacant land to devote to growing their own food ... and general stores were simply not able to supply the entire food needs of communities in which they had previously thrived.

Further -- general stores were not equipped to stock and sell their customary wide variety of products on a large scale. Thus, as industries began pouring out goods in large quantities, the general store gave way to limited-line or specialty stores which sold only one or a few types of products.

THE SPECIALTY STORE (1860-1918)

The decline of the general store in the mid-19th century can be directly traced to the industrialization of America and the accompanying trend toward urbanization. The limited-line or specialty store which replaced it was firmly established as the dominant retail instituion by 1860, although the first specialty stores made their appearance long before then. In fact, men's clothing stores were fairly common in the Eastern towns and cities by the late 1840's, and retail shoe stores by the 1850's.

The specialty store was, and still is, just what the term indicates -- a store specializing in the sale of a particular type of product. In the early development, specialty stores dealt only in a narrow range of goods. For example, an article written in 1853 makes mention of one store that sold only hosiery, another lace, another perfume, another pocket handkerchiefs, another shawls ... and another that sold nothing but suspenders! After the Civil War, however, several closely related lines of goods were combined to form the haberdashery, the stationery shop, the tobacco shop, and the other types of specialty stores which we know even to this day.



The same thing occurred in the food industry. Grocery stores, butcher shops, bakery shops, dairy stores, and fruit and vegetable stores were basically specialty stores. However, grocery stores originally sold only a few types of products, later adding a full selection of dry groceries. For example, the Great American Tea Company (now the Great Atlantic & Pacific Tea Company) which was established in New York in 1859, originally sold nothing but tea, coffee, and spices; in 1865, other dry groceries were added. It was not until the advent of the "combination store" in the late 1920's that groceries, meat, and dairy products were sold under the same roof.

At the time of their early popularity, specialty stores were rather dingy, unexciting places in which to shop. Most products were in bulk containers or were piled high on rough shelves behind a foreboding counter which separated customer and clerk. No attempt was made to display products attractively, and since the stores were entirely clerk-service, customers had to rely on clerks to find and show them products they wished to buy. Haggling over price was part of the ritual of shopping, since items were not price-marked. A customer's ability to stretch her household budget depended on her talent as a shrewd trader.

Some major innovations during the era of the specialty store helped change these conditions and, in fact, revolutionized the whole field of retailing. Most important of these are shown on the next page.

- After the Civil War, tobacco-maker William T. Blackwell of Durham, N.C., received orders by mail from former Union soldiers who had grown fond of his product while fighting in the South and had since returned home. Accustomed to selling his product in bulk, Blackwell had to find a way to pack the toabcco for his many individual customers up North. The result was the now-famous Bull Durham bag -- the first consumer-sized package.

- In 1865, John Wanamaker, owner of a Philadelphia dry goods store, awoke to the fact that his customers had become even shrewder than his own salesmen in haggling over the prices of goods. To put an end to unprofitable sales, he established a revolutionary policy -- each product would be offered to all customers at the same fixed price which would be visible to all. (It's said that Wanamaker almost went bankrupt before his idea caught on!)

- In 1875, F. W. Woolworth was working as a stockboy in a Watertown, N. Y., store. To stimulate sales of some slow-moving items, he talked his employer into displaying them on a counter set up in the middle of the store for all customers to see. The idea was an instant success. Later, when Woolworth opened his own store, he displayed all like items together on counters where people could see, handle, and buy them -- the first extensive use of product displays and the first departmentalized store.

- In 1916, Clarence Saunders, operator of the Piggly Wiggly food stores in Memphis, sought to cut costs by reducing the number of clerks needed in his stores. In an experiment, he moved the cash register and wrapping desk from the side of the store to a spot near the front door; shoppers selected their own products and brought them to the "checkout counter" to be totaled and wrapped. The result amazed even Saunders -- not only did he succeed in cutting costs, but he also found that customers usually ended up buying more than they had intended to when they entered the store. Needless to say -- the idea of self-service, pioneered by Saunders, is the standard practice in most retail establishments today.

These and other innovations which occurred during the hey-day of the specialty store (1860 - 1918) changed the whole complexion of retailing in America. However, one such innovation ultimately led to the downfall of the specialty store itself as the dominant factor in the retail grocery industry -- the development of the chain store.

THE CHAIN STORE ERA (1918-1932)

A "chain" is basically a group of stores under common ownership. The period from 1918 to 1932 is often referred to as "The Era of the Chain Store" not only because many new chains were established then, but also because existing chains expanded tremendously -- in other industries besides the food industry.

Actually, a number of chains were established in the 19th century, but it was not until World War I that chains became important factors in retailing. As we saw, the first chain was the Great Atlantic & Pacific Tea Company, founded in 1859. Other important food chains operating before 1900 include:

. Jones Brothers Tea Company (now Grand Union Company), 1872
. Kroger Grocery & Baking Company (now Kroger Company), 1882
. Acme Tea Company (now Acme Markets), 1887
. O'Keefe's Incorporated (now First National Stores, Inc.), 1897
. National Tea Company, 1899
. Jewel Tea Company, 1899

Prior to 1912, a chain grocery store was no different in outward appearance than the independently owned store down the street. Probably the biggest visible difference was that the owner of an independent and his family lived in the backroom or in an apartment above the store, whereas the manager of a chain store traveled to work from his home. The prices, the service, the store fixtures, the selection of products -- all were very similar.

A daring new idea introduced by A & P was to change all this and create a tremendous gulf between the chain store and the independent.

In 1912, A & P opened a group of experimental stores -- called "economy stores" -- in which costs were drastically reduced:

- The stores themselves were small; thus, rents were low and labor costs were minimal (many such stores were one-man operations).

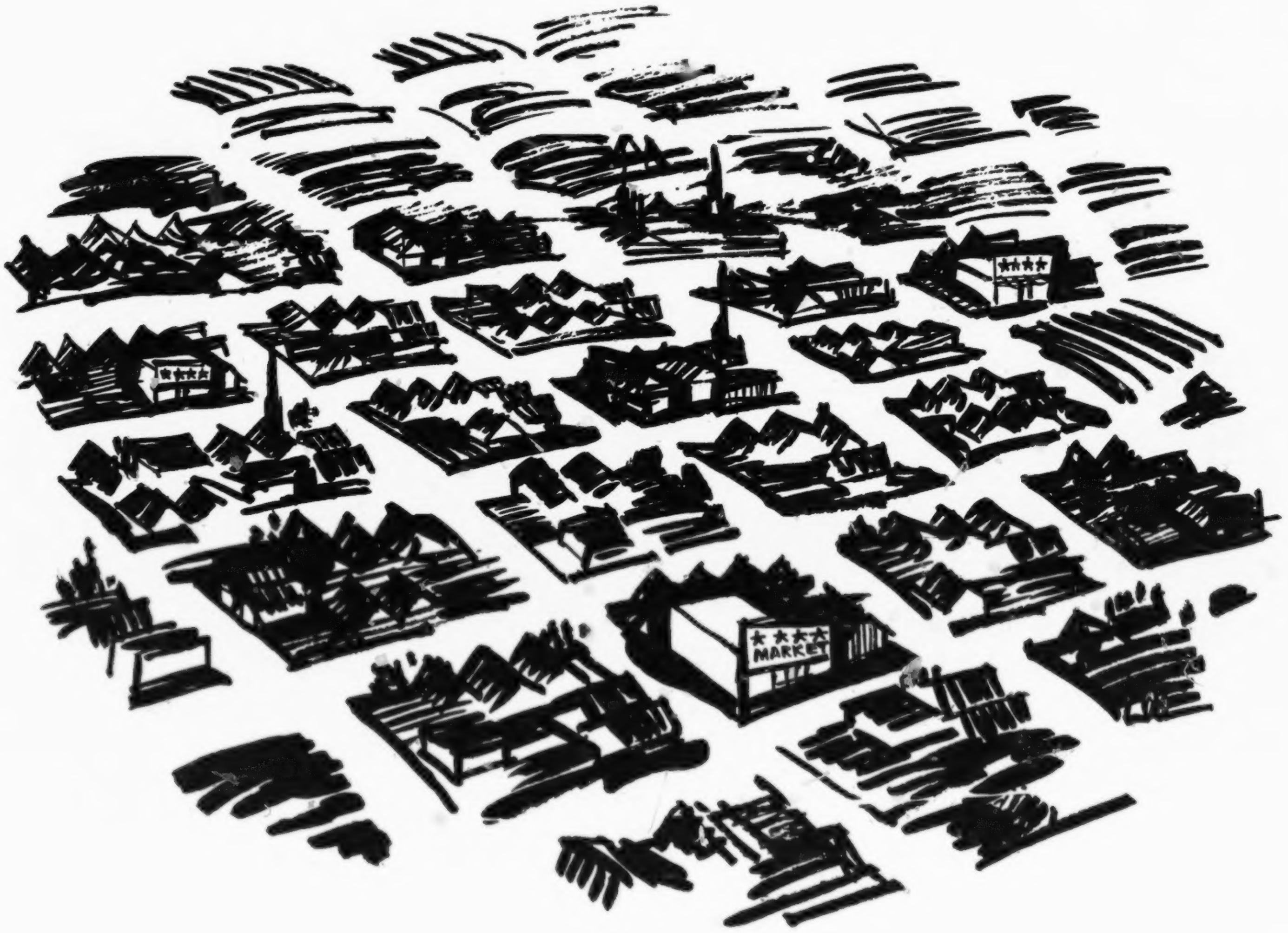
- Store fixtures were modest; as a result, the cost of equipping an economy store was low.

- Store operations were standardized with a high degree of centralized authority; thus, savings accrued from greater efficiency and control.

- All sales were on a cash-and-carry basis; as a result, costs of delivery and customer credit were eliminated.

These cuts in costs, together with a reduction in the profit on each item, permitted economy stores to slash prices. Increased sales volume made up for the lower profit per item; thus, at least as much total profit resulted.

The first "economy stores" were so successful that the decision was made to open as many of them as possible, as quickly as possible. The number of A & P stores increased from 585 at the end of 1913 to over 2,100 by the end of 1916; sales jumped from $31 million in 1914 to $76 million in 1916. And this was only the beginning -- by 1920, A & P had over 4,200 stores ... by 1925, over 14,000 ... and by 1930, more than 15,700 stores and sales of over one billion dollars!



The rapid growth of A & P during the "roaring 20's" was not an isolated case -- other chains also opened numerous economy stores. For example: Safeway stores increased from 190 in 1920 to 2,600 in 1930 ... Kroger from 800 to over 5,300 ... National Tea, from 160 to 1,600. (1930 was the peak year in terms of the number of grocery chain stores. Today, A & P has about 4,500 stores; Safeway, about 2,000; Kroger, about 1,400; and National Tea, about 1,000 ... but total sales are far higher than in 1930.)

The independent grocer was no match for the chains during the 1920's. The chain stores' lower prices, and their more aggressive advertising and merchandising activities, lured customers away from the independents. In the early 20's, the chains prevailed on manufacturers to sell them direct instead of through a wholesaler; they then used their huge buying power to extract price concessions which lowered their costs and permitted them to reduce prices even further. (The Robinson-Patman Act of 1936 prohibited manufacturers from granting discriminatory price concessions.)

So successful were the chains in the 20's, that entire communities rose up in opposition to them and in defense of the independent grocer. Numerous charges were leveled against the chains -- both real and imaginery, logical and emotional. Responsible citizens and civic leaders appealed to the public not to patronize chain stores on the basis that the chains:

- Took money out of the local community.
- Destroyed opportunity for young men.
- Practiced unfair competition.
- Tended to de-personalize the community.
- Were producing a nation of clerks.
- Drove out local businessmen.
- Paid lower wages than other employers.
- Tended toward monopoly.
- Did not, in fact, save money for the consumer.
- Did not bear their fair share of local taxes.

So great was the hue-and-cry on this last point that 366 anti-chain-store bills with varying tax penalties were introduced in state legislatures between 1925 and 1932 ... and 570 more were introduced between 1933 and 1938. Some of these bills called for assessments on each store operated by a chain in the particular state (either a flat-rate or on a graduated basis), while others attemped to levy a tax based on a percentage of the chain's sales.

In February, 1938, Representative Wright Patman of Texas introduced the first national anti-chain-store legislation. This bill provided for an annual graduated tax which started at $50 per store and increased progressively to $1,000 for each store above 500 in a chain; this total would then be multiplied by the number of States in which the chain operated. If enacted, this bill would undoubtedly have forced the chains out of existence. For example, in 1938 alone:

- for A & P, with profits of $9 million, the tax would have been $471 million.
- for Safeway, with profits of $4.2 million, the tax would have been $58 million.
- for Kroger, with profits of $3.7 million, the tax would have been $72 million.

This bill was defeated in committee. Most of the state anti-chain-store bills were also defeated, and many of those that became law were later declared unconstitutional. But the mere fact that so many bills were drafted and introduced gives an indication of the strong feelings against chains at the time.

In spite of this opposition, grocery chains grew and prospered during the 1920's. In 1929, chain stores represented about 18% of the total number of retail grocery stores in America, but accounted for over 36% of the total retail grocery store sales. The average chain store had annual sales of $46,000 in 1929, compared to $17,380 for the average independent grocery store.

In the middle 20's, independent grocers and wholesalers took their first positive steps to compete with chains in the formation of the first retail Co-operatives and Voluntary groups. These were essentially groups of independent store operators who joined together to take advantage of the benefits of group buying and advertising. Before the end of the decade, I.G.A. (Independent Grocers' Alliance of America), Red and White, Nationwide Food Stores, and 500 other Co-operative and Voluntary groups had been formed. In 1930, over 59,000 independent grocery stores throughout the country, or about 16% of the total number of grocery stores, belonged to such groups.

The formation of Co-operative and Voluntary groups served to strengthen the independent grocer and check the surge of the chains during the 1930's. Today, over 75,000 independent grocers (about 33% of the total number of food stores) belong to such groups and account for a greater share of the total retail food store sales than the chains (50% vs. 41%).

As we saw, some of the largest chains operate far fewer stores today than in 1930. Three events established a trend toward larger stores and caused the chains to reduce their number of stores. One was the advent of the combination food store which was created when a butcher and a grocer located next door to each other decided that it would be to their mutual advantage to cut a doorway in the wall between them and combine their operations. These stores, which were typically twice the size of the grocery stores they replaced, became popular toward the end of the 1920's and in the early 1930's. To remain competitive, the chains converted many of their stores into combination stores and closed numerous smaller units which could not be expanded.

Another reason for the reduction in the number of chain stores in the early 1930's was the Great Depression which saw the closing of thousands of retail businesses, large and small. The greatest factor, however -- and the most radical change in the grocery industry to date -- was the advent of the supermarket.

THE DEVELOPMENT OF THE SUPERMARKET (1932-1945)

Most authorities cite December 8, 1932, as the birthdate of the supermarket. However, in some areas, supermarkets were operating before then:

- There were many supermarkets on the West Coast (mainly in Los Angeles) during the late 1920's, some with annual sales as high as $2,400,000 -- an astonishing figure when one considers that the average chain grocery store at the time had an annual sales volume of $46,000 ... and the average independent, slightly more than $17,000.
- On the East Coast, a forward-looking merchandiser named Michael Cullen opened his first King Kullen store in Jamaica, Long Island, New York, in 1930; by the end of 1932, eight King Kullen stores were in operation, with an average annual sales volume of $750,000.

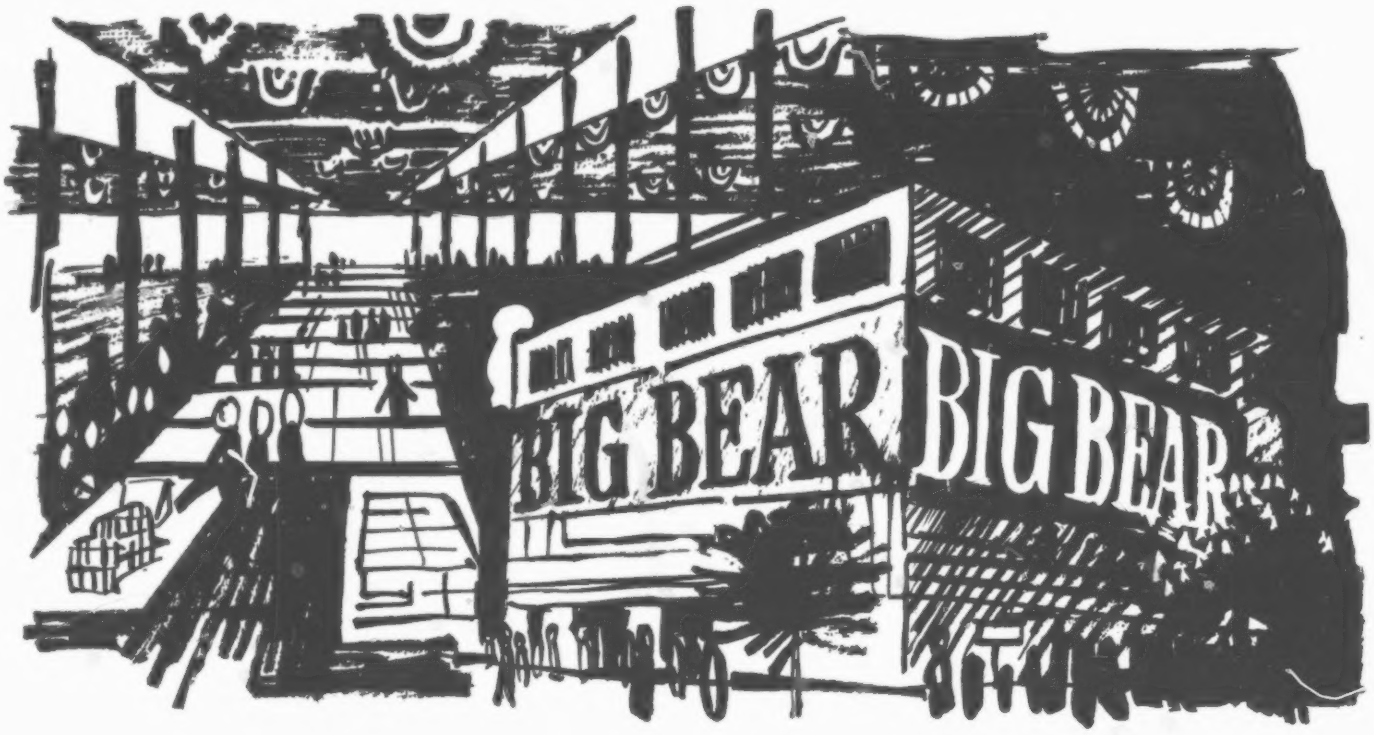
It may seem surprising that the supermarket gained its initial popularity during the Depression -- a time when very few new ventures proved successful. However, as we'll see, the early supermarkets ideally suited the needs of people at the time.

On December 8, 1932, a new store called the Big Bear opened in a vacant automobile plant in Elizabeth, New Jersey. The Big Bear was a large, departmentalized, self-service, cash-and-carry store which made headlines in newspapers across the country and had an impact on the food industry never matched before or since! Practically everything about the Big Bear was revolutionary ... a departure from other stores of the times:

- The Big Bear WAS big! Whereas a combination store of 1,000 square feet was considered large, the Big Bear occupied 50,000 square feet ... 15,000 square feet devoted to the grocery department alone.
- The Big Bear offered a greater variety of products and a greater selection of brands than could be found elsewhere. Besides the grocery department, there were eleven other departments leased to concessionaires: meats, fruits and vegetables, dairy, baked goods, candy, cigars and tobacco, drugs and cosmetics, luncheonette, auto accessories, electrical and radio supplies, and paints and varnish!
- The Big Bear offered far lower prices ... at a time when money was scarce and every penny counted. Prices in the grocery department were about 10% below those of the chain food stores and gross profit averaged about 12%, compared to around 20% for the chains. Its advertising theme was "Big Bear, the Price Crusher".
- The Big Bear had a carnival-like atmosphere which proved exciting for shoppers during the drab days of the Depression. Cheap pine tables were piled high with mass displays of merchandise, and people were free to walk about and help themselves. Shopping at the Big Bear was an adventure!
- The Big Bear, unlike the neighborhood stores of the times, attracted customers from far and wide. It is said that, on any given day, cars from as far as 50 miles away could be seen in the huge free parking lot.

In view of these differences, it's not surprising that the Big Bear was an immediate success -- in the first week, sales amounted to over $75,000! What was surprising to many at the time is that this initial success was not due to "curiosity buyers". People came back the next week ... and kept coming back week after week! Sales for the first year amounted to $3,873,280 ... and over 56% of this (or $2,188,403) was in grocery sales. At today's prices, this would be equivalent to over $10,000,000 in total sales and over $6,500,000 in grocery sales! Net profit for the first year amounted to $166,507 -- on a total investment of little more than $10,000!

It wasn't long before opposition to the Big Bear's methods was mustered and the battle lines were drawn. For the first time, chains and independents united in a common cause -- to stop the Big Bear. Special meetings were held throughout the State of New Jersey to warn grocers of the menace of the Big Bear. Wholesale grocers were asked not to sell to Big Bear, and some were black-listed for not heeding the request. Food manufacturers were petitioned to prevent the re-sale of their products to Big Bear. A bill was introduced in the New Jersey legislature to outlaw selling at or below cost. And, due to the pressure brought to bear by the chains and independents alike, newspapers excluded Big Bear advertising effective the end of February, 1933.



Despite this early opposition, Big Bear continued to prosper. Soon, other enterprising merchandisers opened other "cheapy" super markets in vacant factories, warehouses, and office buildings where the main appeal was their low prices. Although some failed, most of these operations proved immediately successful. In many cases, these early supermarkets were started by wholesale grocers who had gained a knowledge of retail methods through their sponsorship of Voluntary groups.

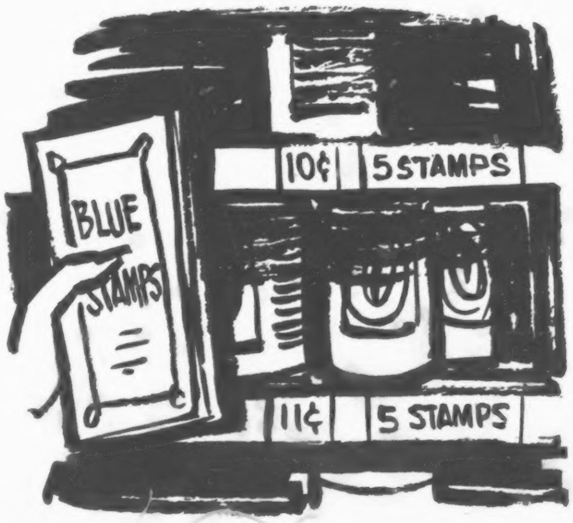
By 1936, there were some 1,200 supermarkets operating in various sections of the country. Most of these were "cheapies" patterned after the Big Bear with respect to store lay-out and surroundings, and all departments other than the grocery department were leased to concessionaires. (For the most part, income from these concessions was sufficient to pay the rent for the entire store and all utilities.)

It was not until 1936 that the chains took vigorous action to meet the competition of the supermarket. Then, they began closing small unprofitable stores or converting them to self-service, and also began building new supermarkets. From 1936 to 1938, for example, A & P is said to have closed 4,500 stores (about 30% of its total 14,500 stores) and opened 750 self-service units or new supers. In this three-year period alone, almost 4,000 new supermarkets were opened, about one-fourth of them chain stores.

The new supermarkets which were opened in the late 1930's were smaller than earlier versions, being about 10,000 square feet. Concessions were largely eliminated, all departments being run by the chain or the store operator himself. The new supers also adopted a more restrained atmosphere and, in order to meet the competition of the "cheapy" supermarkets already established in many communities, tended away from the barn-like appearance of the original Big Bear. Better lighting, enameled shelving units, and sanitary refrigerated cases gave the stores a bright, clean appearance intended to lure customers into the stores.

When war broke out in Europe in late 1939, there were about 6,200 supermarkets (1,200 chain stores and 5,000 independents) with total sales of more than 2 billion dollars. During 1940, another 1,900 supermarkets were built. At the start of 1941, our participation in the war seemed imminent, and much of our production capacity was diverted to the defense effort; as a result, few new stores were built in 1941.

Following the Japanese attack on Pearl Harbor on December 7, 1941, the nation turned its full attention to the war effort. Construction of new stores almost ceased. A large portion of the country's food production was used to feed our armed forces and our allies, and shortages of many items developed in the food stores of America. After rationing was introduced in 1942, shoppers were more concerned with the number of red stamps or blue stamps needed to buy an item than with the price of the item itself.



The calling to arms of millions of American men and the employment of millions more in the war plants of the nation created a dire labor shortage in the retail food industry. Stores looked for ways to extend the use of self-service to overcome the scarcity of personnel. In many stores, the produce and dairy departments were converted to self-service departments.... and, in some stores, so was the meat department.

From 1942 to 1945, the civilian population and the retail food industry cooperated in numerous activities which helped in the war effort. For example, in newspaper ads and posters, food stores waged an endless series of campaigns to educate the public on the advantages of nutrition and conservation:

- Because of the meat shortage, housewives were encouraged to prepare nutritional non-meat dishes for "meatless Tuesday" and were supplied with recipes by the food stores of America.
- To conserve on strategic materials, civilians were encouraged to bring their own paper bags when going shopping ... save their used cooking fats and turn them in to their butcher ... and flatten out used tin cans and bring them to their local food store for salvage.
- To cope with shortages of produce and canned goods, people were encouraged to plant "victory gardens" in their back yards, and food stores provided instructions and supplies for canning home-grown vegetables.

By late 1944, it seemed apparent that the war could not last much longer, and so the members of the food industry began planning for the improvement, remodeling, or expansion of their operations. This advance planning permitted the resumption of the building boom of the late 30's soon after the Japanese surrender on August 14, 1945.

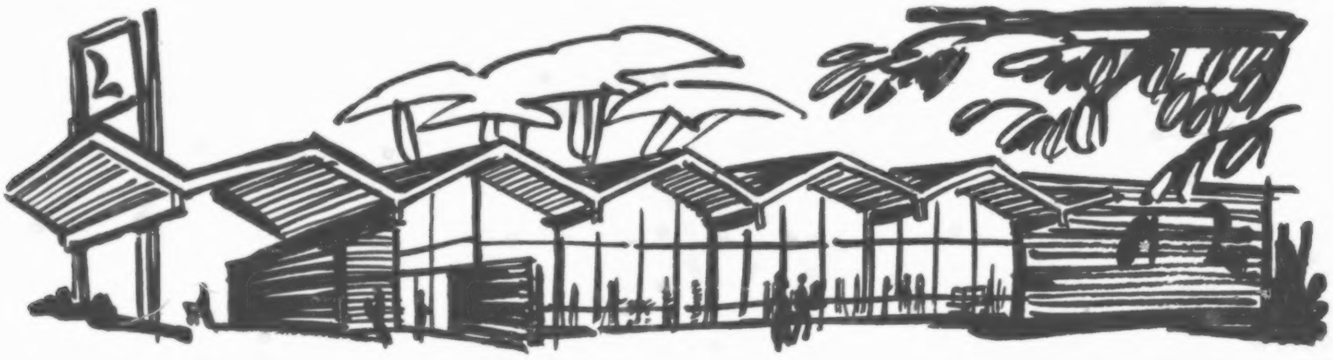
THE POST-WAR ERA (1945-1958)

Shortly after the war, there was a great surge of new-store construction as the expansion plans of food retailers which had been deferred for almost five years finally became realities.

One phenomenon of the post-war era was the beginning of the exodus to the suburbs, where the automobile is a necessity in shopping. Since the supermarket has always been geared to shoppers using automobiles, it is not surprising that many new supermarkets were built in suburban areas. The fact that supermarkets are the dominant retail establishment in the food industry today is due in large part to the move to the suburbs.

The new supermarkets built in this period were generally larger than the stores built in the late 1930's, averaging over 15,000 square feet compared to about 10,000 square feet for their pre-war counterparts. These new supers reflected the most modern ideas in architecture, lighting, color, and store lay-out. For the first time, stores were designed with the shoppers in mind!

The equipment in the post-war supermarket was vastly superior to that used in the 30's, largely as a result of new discoveries or improvements made during the war. One example was the development of equipment needed to store and display frozen foods; this alone introduced an important, totally new department in the retail food store.



The food industry and the public also benefited from the great variety of new products developed during the war or perfected later as a result of wartime research. In addition, new materials discovered during the war -- such as plastics and transparent film -- found wide use in food packaging.

Many of the advances in the early post-war period, then, were a direct result of research conducted during the war. However, a great many other changes occurred from 1945 to 1958, including:

- Self-service meat departments and produce departments helped speed shopping and offset rising labor costs.
- High-speed cash registers and automatic conveyors (revolving or belt type) reduced check-out time by one-half to two-thirds.
- Trading stamps received wide-spread use as a promotional device.
- Products (such as gourmet and dietary foods) which appeal to a limited segment of the consuming public were introduced.
- Electric-eye doors proved a blessing for shoppers loaded with bundles.
- Shopping centers became the preferred location for new supermarkets.

This period also witnessed the beginning of the battle for space on the shelves of the retail food stores of America as manufacturers introduced thousands of new products and new sizes, and the number of items stocked by a typical supermarket almost doubled. It also saw the introduction of improved product-handling, storing, and stock-checking techniques in the food stores and warehouses throughout the country. And, it was in this period that the independent retail grocer emerged as a major factor in the industry.

The years from 1945 to 1958, then, were marked by many important changes. It was a period when the food industry in general and the supermarket in particular was passing from adolescence to adulthood ... when the industry was preparing itself to meet the challenges, and to benefit from the opportunities, which lay ahead.

RECENT DEVELOPMENTS (1958-present)

In recent years, there have been many changes, innovations, and experiments in the retail food industry, the full impact of which cannot as yet be determined. Some of the most important of these have been:

- The advent of "convenience" food stores. These are self-service stores having many of the characteristics of the supermarket and employing many of the same merchandising techniques, but on a much smaller scale with fewer items and a limited selection of brands. Though still rather few in number, convenience food stores have by-and-large been extremely successful, and in some areas have managed to compete with supermarkets nearby. In 1964, about 900 new convenience food stores were built, bringing the total to 5,000 stores which accounted for over 1 billion dollars in total sales.

- The introduction of food department in discount department stores. Discount stores have sprung up all over the country in recent years; many of these include a food department which is used more-or-less as a "traffic builder" to attract customers into the store. In 1964, almost 650 discount department stores sold a total of 1.4 billion dollars worth of food products, or roughly 2.3% of the total retail food sales.

- Centralized pre-packaging of meats. A few chains, co-operatives, and voluntaries have set up centralized meat-cutting and pre-packaging operations on an experimental basis. The individually wrapped cuts of meat are then delivered to the stores for sale in the self-service refrigerated cases.

- Emphasis on "one-stop" shopping. In many areas, supermarkets are returning to the concept of one-stop shopping or "all household needs under one roof" of the general store and the early supermarkets like the Big Bear. This is being done partially to offset the competition of the discount department store and its in-store food department, but primarily as a means of making the housewife's shopping chore easier and more enjoyable.

  This emphasis on one-stop shopping can be seen in the expansion of non-food items in supermarkets which began in the late 1950's. Today, health and beauty aids, housewares, magazines, and even toys and soft goods are an important part of the supermarket's business, accounting for almost 3 billion dollars in sales (or 5% of total retail food store sales) compared to 220 million dollars (or roughly 0.8% of total sales) in 1950.

  Another evidence of the increasing popularity of the concept of one-stop shopping is the introduction of new departments and new services in supermarkets. A good many stores today include a complete delicatessen, an on-premise bakery, a lunch counter, and even a complete prescription pharmacy. Thus, the housewife need not scurry from store to store to do her shopping, but can obtain all her household needs at her favorite supermarket.

These are just a few major examples of the new ideas in food retailing which have been introduced in the past few years. In an industry as dynamic and as competitive as the retail food industry, it is to be expected that more innovations and experiments of an important nature will be forthcoming. What they will be -- and what effect they will have upon the industry as a whole -- is, at this point, anybody's guess.

INTRODUCTION TO SECTION II

The next Section of this Unit is presented in a format known as programed learning. This technique enables you to learn more quickly and more easily than by any other means. Here's why:

- In ordinary textbooks, a large body of information is presented in bulk form. Often, the amount of information is staggering, and much of it is not really necessary to an understanding of the subject. Since it is impossible for the reader to give equal attention to all the material, many important points are often missed or misunderstood.
- In a programed learning course, information is never heaped on you. Instead, the essentials are sifted out and presented one at a time; when one fact is learned and and understood, a new one is presented.

The basic idea behind programed learning, then, is to break down a large body of information into small bits. The bits of information are presented one at a time, and they are repeated and re-stated in such a way that you learn them well. As you teach yourself one bit at a time, you logically build your knowledge and understanding until you have mastered the entire subject. And, you can check your understanding as you proceed.

The basic "teaching unit" in programed learning is called a frame. A frame consists of two elements: a short paragraph, usually with one or more blanks in it, called a statement; and, in another place, the word or words that fit into the blanks in the statement, called a response. By filling in the missing word, you actively enter into the learning process, as seen in this sample frame:

Statement:	A programed learning course teaches a subject one bit at a time. Thus, a _ _ _ _ _ _ _ _ _ _ learning course lets you learn a subject thoroughly, easily and quickly.

Response:
programed

Notice that the dashes (_ _ _ _ _ _ _ _ _ _) in the statement above indicate the number of letters in the missing word, and thus serve as a "cue" to help you get the right word. Often, however, a solid line (________________) is used instead of dashes because you won't need the extra help of seeing how many letters are in the missing word if you've read the previous frames closely.

HOW TO TAKE A PROGRAMED LEARNING COURSE

In studying programed material, read each statement carefully and actually write down your answer in each frame. In some frames, instead of filling in blanks, you'll be asked to answer a multiple-choice question or a true-or-false, or to match two columns of facts. Since programed learning is NOT A TEST, you can immediately check the response to make sure that you were correct. This in itself aids your learning.

Most frames are simple to answer if you've read the previous frames carefully. However, if you should find that you aren't sure of the answer in a given statement, don't take a "wild guess" and rush on to the next one. Pause and think about the previous frames for a moment, and the correct answer will probably come to you. If it doesn't, then re-read the previous frames that contain the information you need. One of the advantages of programed learning is that you can work at your own pace and take as long as you want to complete the material.

If you should get an occasional response incorrect, don't let it bother you. Remember that a programed learning course is not a test, but a self-learning device. No one will "grade" your booklet or ask how many frames you got wrong. Just be sure that you learn from your mistake.

A word of warning -- since the response is so close to the corresponding statement, you may find yourself looking ahead to the response, especially if you should be unsure of the proper word to write in a blank. However, this would defeat the purpose, so be sure that you DON'T LOOK AHEAD WHEN FILLING IN THE BLANKS IN A STATEMENT.

To avoid accidentally seeing responses before you get to them, it's suggested that you use a piece of paper or your hand to cover the response column as you start each new page. Then, uncover each response as you proceed down the page.

* * * * * *

If you follow the hints above, you will find that you'll learn the programed material in this series of Self-Study Units quickly and easily -- and you'll remember the information far longer than if you read it in a traditional textbook.

Good studying!

II. THE RETAIL FOOD INDUSTRY TODAY

SIZE OF THE INDUSTRY

S-1 In practically every respect, the retail food industry is the largest retail industry in America today. Total sales of the retail food industry in 1964 were over 62 billion dollars, or about 25% of total retail sales; that is, one-fourth (or ____%) of all the money spent in all the retail establishments in this country is spent in retail food stores!

R-1
25%

S-2 (TRUE or FALSE) In 1964, sales of the retail food industry were over 62 billion dollars; thus, the retail food industry accounts for about 25% of all retail sales, and is the largest retail industry in America in terms of total dollar sales. __________

R-2
True

S-3 In terms of total dollar sales, the retail food industry is larger than any other retail industry. For example, retail food sales (which were over ____ billion dollars and accounted for roughly ____% of all retail sales) were over twice as great as sales of new automobiles in 1964, one of the best years ever for auto makers!

R-3
62
25%

S-4 The retail food industry, then, is the largest retail industry in terms of total ______ _____, accounting for over ____ billion dollars in sales or roughly ____% of all retail sales in 1964. Likewise, the retail food industry is the largest retail industry in terms of number of retail outlets; there are about 228,000 retail food stores in America today.

R-4 dollar sales 62 25%	S-5	In terms of number of retail outlets, the retail food industry is the largest retail industry in America. The total number of retail food stores in America today is about: (CHECK ONE) ☐ 156,000 ☐ 211,000 ☐ 193,000 ☐ 228,000
R-5 228,000	S-6	There are approximately ______________ (HOW MANY?) retail food stores -- more than any other type of retail outlet. Surprising as it may seem, there are more retail food stores than gasoline service stations!
R-6 228,000	S-7	The retail food industry, then, is the largest retail industry in number of retail outlets; there are approximately ______________ (HOW MANY?) retail food stores in America today. Similarly, it is the largest retail industry in number of people employed; there are about 1,900,000 people employed in the retail food stores of America.
R-7 228,000	S-8	More people are employed in the retail food stores of America than in any other retail industry. The total number of people employed in retail food stores today is about: (CHECK ONE) ☐ 190,000 ☐ 1,900,000 ☐ 1,500,000 ☐ 2,280,000
R-8 1,900,000	S-9	There are about ________________ (HOW MANY?) people employed in the ______________ (HOW MANY?) retail food stores of America. This figure is about equal to the combined population of Delaware, Vermont, New Hampshire, Nevada, and Wyoming!

R-9 1,900,000 228,000	S-10	About ______________ (HOW MANY?) people are employed in the retail food industry ... more than in any other retail industry. Total salaries in the retail food industry amount to over 4 billion dollars a year!
R-10 1,900,000	S-11	We can see how important the retail food industry is in our economy by the fact that about 1,900,000 people are employed in the industry, and total salaries amount to over ____ billion dollars per year.
R-11 4	S-12	The nation's second-largest retailing company is a food retailer, and six of the nation's ten largest retailers are food retailers. In addition, the retail food industry is the largest retail industry in America in terms of: • Dollar sales -- over ____ billion dollars. • Number of retail outlets -- about ____________. • Number of people employed -- about ____________. • Total salaries -- over ____ billion dollars a year.
R-12 62 228,000 1,900,000 4	S-13	The second-largest retailer in America is a food company (A & P) with almost 5.2 billion dollars in sales in 1964. In fact, only five other companies had larger sales -- General Motors, Standard Oil of New Jersey, American Telephone & Telegraph, Ford Motor Company, and Sears Roebuck & Company. And, of the ten largest retailing companies, ____ (HOW MANY?) are food retailers.
R-13 six (6)	S-14	The size of the retail food industry is evidenced by the fact that ____ (HOW MANY?) of the nation's ten largest retailers are food retailers. The rate of growth of the industry is evidenced by the fact that sales in 1964 (which totaled over ____ billion dollars) were 3-1/4 billion dollars (or 5.7%) higher than in 1963.

R-14 six (6) 62	S-15	Total sales of retail food stores (excluding specialty stores such as butcher shops, fruit stores, and candy shops) were higher in 1964 than in 1963 by approximately: (CIRCLE ONE) (a) 4 billion dollars (or 2.5%) (b) 1-1/2 billion dollars (or 1.5%) (c) 2-1/2 billion dollars (or 4.4%) (d) 3-1/4 billion dollars (or 5.7%)
R-15 (d)	S-16	Retail food stores sales were approximately __________ billion dollars (or ______%) higher in 1964 than in 1963. Sales in 1964 were 25 billion dollars higher (or 70% more) than in 1954.
R-16 3-1/4 5.7%	S-17	The growth rate of the retail food industry has been phenomenal. In the past ten years alone, total sales have increased by about 25 billion dollars, or ____%. (Sales of non-food items in retail food stores accounted for almost 3 billion dollars of this increase.)
R-17 70%	S-18	Sales of the retail food industry have increased by about ____ billion dollars, or 70%, since 1954. This increase is far greater than the increase in all retail sales (about 43%).
R-18 25	S-19	The percentage increase in sales of the retail food industry during the past 10 years has been much *(greater ... less)* than the increase in all retail sales. Retail food sales have increased by ____% since 1954, while all retail sales have increased by about 43% in the same period of time (CIRCLE THE CORRECT WORD)

R-19 greater 70%	S-20	If the average man-on-the-street were asked why the rate of growth in the retail food industry (about ____%) has been so great in the past 10 years, he would probably point to the increase in population and in retail food prices. Yet, since 1954, the population has increased only about 20%, and retail food prices only about 11%.
R-20 70%	S-21	Since 1954, sales in the retail food industry have increased by about 70%, while the population has grown by only about 20% and retail food prices have increased by only about ____%.
R-21 11%	S-22	The increases in population (____%) and in retail food prices (____%) have accounted for only part of the 25 billion dollar (or ____%) increase in retail food store sales since 1954. Added emphasis on non-food items in retail food stores has also accounted for part of this increase. However, the major reason for the increase in retail food sales has been the fact that people are eating more and eating better than ever before!
R-22 20% (population) 11% (food prices) 70% (food store sales)	S-23	Americans are eating more and eating better today than at any time in history, thus accounting in large part for the fact that retail food store sales are ____% greater today than ten short years ago. As an example: per capita consumption of meat and poultry was about 20% higher in 1964 than in 1954. Witness, too, the tremendous popularity of "convenience foods" which free the housewife's time in preparing meals.
R-23 70%	S-24	Americans today eat ________ and they eat ____________ today than ever. Yet, they spend a smaller percentage of their income on food than ever before ... because food is the greatest bargain ever!

FOOD—THE GREATEST BARGAIN IN AMERICA TODAY

R-24 more better	S-25	Today, Americans spend a *(greater ... smaller)* percentage of their income on food than in the past. The average American family spends about $1,250 in retail food stores, or 19% of its income after taxes. (CIRCLE THE CORRECT WORD)
R-25 smaller	S-26	The amount spent for food by the average American family is about $_________. This represents about 19% of its after-tax income, compared to 26% in 1948.
R-26 $1,250	S-27	If you were the head of an "average" American family last year, you would have spent about $1,250 in retail food stores ... or about ____% of after-tax income, compared to ____% in 1948.
R-27 19% 26%	S-28	The average American family today spends roughly ____% of its net income for food (or $________) compared to ____% in 1948.
R-28 19% $1,250 26%	S-29	The total amount spent on food by the average American family ($________) is greater today than in 1948, but the percentage of its income after taxes is less: ____% today versus ____% in 1948. This indicates that the price of food has risen at a far slower rate than the average family income.
R-29 $1,250 19% 26%	S-30	Since 1948, food prices have risen at a far *(slower ... faster)* rate than the average family income. Likewise, food prices have risen at a slower rate than most other prices.

R-30
slower

S-31 Retail food prices have increased since 1948, but at a much (*slower ... faster*) rate than the prices of most goods and services. For example, according to the government's retail price index, retail food prices have risen 24%. However, the cost of housing has increased 33%, the cost of public and private transportation has gone up more than 50%, and the cost of medical care has jumped about 65%.

R-31
slower

S-32 The increase in retail food prices since 1948 has been (*more ... less*) than the increase in prices of most other goods and services. Retail food prices have increased about ____% ... the cost of housing, over 33% ... the cost of public and private transportation, over 50% ... and the cost of medical care, about 65%.

R-32
less
24%

S-33 Match the goods and services at the right with the approximate price increases since 1948 shown at the left.

___	50%	a. Housing
___	33%	b. Medical care
___	24%	c. Public and private transportation
___	65%	d. Retail food prices

R-33
c
a
d
b

S-34 In spite of the ____% increase in retail food prices since 1948, the average American family spends a smaller percentage of its after-tax income on food today (19%) than in 1948 (26%). This current figure is far lower than for people in other countries.

R-34
24%

S-35 As a percentage of the average family income, Americans spend far (*more ... less*) on food than people in other countries. The average American family spends 19% of its after-tax income on food, while the average British family, for example, spends 29% and the average Russian family spends 50% or more!

R-35
less

S-36 Food IS a bargain in the United States, as evidenced by the fact that the average American family spends only ____% of its after-tax income on food, while the average British family spends about 29% of its income and the average Russian family spends 50% or more of its income on food. Furthermore, it requires far less working time for the average American to earn the money needed to buy most major food items, as we'll see in the following examples.

R-36
19%

S-37 Americans work a far *(longer ... shorter)* time to pay for most food items than people in other countries. For example: it takes the average American worker 28 minutes to earn the price of one pound of boneless beef sirloin ... the British worker, 53 minutes ... the Russian worker, 91 minutes ... the French worker, 148 minutes and ... the Japanese worker, 162 minutes, or almost 6 times longer than the American worker!

R-37
shorter

S-38 Here's another example. The average American works about 21 minutes to earn the money to pay for a pound of butter ... the average Englishman, 40 minutes ... the average Frenchman, 128 minutes ... the average Russian, 184 minutes ... the average Japanese, 252 minutes, or ____ times longer than the average American!

R-38
12 (times)

S-39 In America, a person must work about 4 minutes to earn enough to buy a pound of eating apples ... in Britain, 15 minutes ... in France, 39 minutes ... and in Russia, 88 minutes! Here again, we can see that the average worker in America has to work far *(more ... less)* time than the average worker in other countries to earn the money needed to buy most major food items.

R-39
less

S-40 One final example points up the fact that Americans work a shorter time to buy food than workers in other countries. It takes the average American worker 27 minutes working time to earn the price of a pound of coffee ... the average Englishman, 98 minutes ... the average Frenchman, 159 minutes ... and the average Russian, 450 minutes, or _____ hours -- practically a full day's work!

R-40
7-1/2 (hours)

S-41 These examples help to show that food is the greatest bargain in America today. The average American works less time to earn the price of food and spends less of his after-tax income (_____%) on food than do workers in other countries. He also works fewer hours to satisfy his family's food needs than he did a few short years ago: in 1948, the head of the family worked 62 hours to pay for a month's supply of food ... in 1952, he worked 52 hours ... and today, he works only 37 hours!

R-41
19%

S-42 The time required for the average head of a family to earn enough money to buy a month's supply of food for his family has gone stadily downward since 1948. Then, it took him 62 hours of working time ... in 1952, it took 52 hours ... and today, it takes only _____ hours.

R-42
37

S-43 The average wage has risen far more sharply since 1948 than the price of food. This can be seen in the fact that it took the head of a family _____ hours to earn enough for a month's supply of food for his family in 1948 ... _____ hours in 1952 ... and only _____ hours today.

R-43
62 (1948)
52 (1952)
37 (today)

S-44 If you were the head of a family in 1948, it would have taken you _____ hours to earn enough money to supply your family's food needs for a month's time. In 1952, it would have taken _____ hours of work. And today, it would take only _____ hours of work to buy the same amount of food.

R-44 62 52 37	S-45	Far less working time is required today (about ____ hours) for the head of a family to earn the money needed to buy a month's supply of food for his family than in 1948 (about ____ hours) or even in 1952 (about ____ hours) ... further evidence that food is the greatest bargain in America today! Why? One reason is the ability of food growers, processors, wholesalers, and retailers to operate at maximum efficiency, and thereby hold down their costs.
R-45 37 (today) 62 (1948) 52 (1952)	S-46	In any business, efficiency reduces costs and ultimately reduces prices. The ability of all parties involved in the production and sale of food (growers, processors, wholesalers, and retailers) to operate at peak efficiency plays an important part in making food the greatest ------- in America today.
R-46 bargain	S-47	Consumers receive top value for their food dollar partly because of the ability of food retailers (as well as others involved in the production and sale of food) to operate at maximum ----------- and thereby hold down their costs.
R-47 efficiency	S-48	Food is the greatest bargain in America today partly because of the ____________ of all the parties involved in the production and sale of food. Another reason is that the intense competition in the retail food industry today has served to keep prices relatively low.
R-48 efficiency	S-49	The intense competition among food retailers has tended to keep food prices relatively low, thereby enabling consumers to realize tremendous value for each dollar spent in the retail food store. Thus, we can say that food is the greatest ------- in America today.

R-49 bargain	S-50	Food is the greatest bargain in America today partly because of the intense ___________ among food retailers which has served to keep prices down and provide consumers with greater value for their food dollar.
R-50 competition	S-51	Efficiency and the intense competition in the retail food industry have served to keep ______ down, and have enabled consumers to obtain greater value for their money. Competition has also served to keep the profits of food retailers at a relatively low level.
R-51 prices	S-52	Largely because of the intense ____________________, profits in the retail food industry are relatively low -- about 1.2% of sales. Thus, consumers benefit from lower prices and greater value for their food dollar, while the large sales volume and rapid rate of sale (or turnover) of products yield food retailers a great enough dollar return for needed growth.
R-52 competition	S-53	After-tax profit in the retail food industry averages only about 1.2% of sales. However, large sales volume and rapid turnover of products result in an adequate dollar return for food retailers, permitting them to grow and to serve the public well. This relatively low rate of profit in the industry (largely due to intense ____________________ among food retailers) helps keep prices down and thus benefits consumers.
R-53 competition	S-54	The average net profit after taxes in the retail food industry amounts to about ______% of sales. Thus, of the $1,250 spent for food by the average family, the retail food store makes a net profit of about $15 ... or only about 25¢ per family per week!

R-54 1.2%	S-55	Food is the greatest bargain in America today partly because the intense competition in the retail food industry tends to keep prices and profits down. Based on the average net profit after taxes in the industry (about ______% of sales), the retail food store makes a profit of about $15 from the average family's annual food expenditure of $1,250 ... or only about _____¢ profit per family per week.
R-55 1.2% 25¢	S-56	The average American family spends about $__________ in retail food stores, and the average retail food store makes a net profit after taxes of 1.2% of sales, or 1.2¢ for every dollar rung up at the check-out counter. Thus, the average retail food store makes a total net profit after taxes of about $____ per family, or about 25¢ per family per week.
R-56 $1,250 $15	S-57	Out of the average family's annual expenditure for food ($1,250), the average food store's net profit is only about $15, or roughly _____¢ per family per week.
R-57 25¢	S-58	As was indicated earlier, the net profit of the average retail food store (about ______% of sales) is relatively low -- compared, for example to the "Big 3" auto makers (7.8% of sales) ... the six largest steel producers (5.7% of sales) ... and the four largest tobacco companies (over 11% of sales).
R-58 1.2%	S-59	Actually, per cent of profit on sales is not an entirely valid basis for comparing different industries. However, such a comparison serves to show that food retailers can operate successfully and provide for needed growth while taking a far *(higher ... lower)* net profit from every dollar received from their customers than companies in most other industries. For example: in 1963, net profit of the "Big 3" auto makers was 7.8% ... the six largest steel producers was 5.7% ... and the four largest tobacco companies was over 11%.

R-59
lower

S-60 Match the industries at the right with the appropriate per cent of net profit realized in 1964 as shown at the left.

____ 11%
____ 7.8%
____ 1.2%
____ 5.7%

a. Six largest steel producers
b. Four largest tobacco companies
c. "Big 3" auto makers
d. Average retail food store

R-60
b
c
d
a

S-61 As mentioned, these comparisons between different industries are used merely to show that the rate of profit in the retail food industry is *(higher ... lower)* than in other industries. Comparisons with other retail businesses tend to demonstrate the same point, and again illustrate that food retailers can operate successfully and provide for growth on a relatively low per cent of profit.

R-61
lower

S-62 The average net ______ after taxes in the retail food industry is about 1.2% of sales. In this respect, the six largest food retailers -- with total sales of over 13 billion dollars in 1964 and total profits of about $157 million -- are about typical of the industry and will therefore be used for the comparisons with other retail businesses that follow.

R-62
profit

S-63 In 1964, the six largest department stores in America had an average net profit of 3.0%. The difference between 3.0% and the profit for the six largest food retailers (______%) may not seem great, but consider the end-result: the total dollar sales of the six largest food retailers were 2-1/2 times greater than the total dollar sales of the six largest department stores, but total dollar profits were less!

R-63 1.2%	S-64	The six largest variety store chains had an average net profit of 2.25% in 1964. Although total sales of the six largest retail food companies were almost 4 times greater, total dollar profits were not quite twice as much ... another indication that the average ______ after taxes in the retail food industry is lower than in other retail industries.
R-64 profit	S-65	One final example will show that profit after taxes in the retail food industry is __________ than in other retail industries. In 1964, the two largest mail order houses had an average net profit of 4.3%. Total dollar sales of the six largest food retailers were over twice as great, yet dollar profits were only slightly more than half as great!
R-65 lower	S-66	These examples tend to show that profit in the retail food industry is lower than in other retail businesses, due in large part to the intense ____________________ among food retailers. It is a tribute to the retail food industry that food retailers can operate successfully and provide for growth on a relatively low per cent of profit, and still serve the public well.
R-66 competition		END OF SECTION II

III. OUTLOOK FOR THE RETAIL FOOD INDUSTRY

The outlook for the food industry can be summarized in one word -- EXCELLENT! According to most experts, the rate of growth for the next decade and beyond should even exceed the remarkable progress witnessed since the end of World War II.

On the basis of population growth alone, the growth of the food industry is assured. The U.S. Census Bureau's population projections indicate that there will be 235,000,000 people in America in 1975, compared to 190,000,000 in 1964 ... an increase of roughly 25%. Add to this an expected increase in family income of about 20%, and it's obvious that the outlook for the industry is indeed promising -- more people with more money means more sales of food.

Statistics tell only part of the story. We have already seen some of the experiments taking place in the retail food industry -- centralized pre-packaging of meats; the trend toward one-stop shopping; etc. If extensively implemented, these and other major new ideas could have a tremendous impact and could, in fact, revolutionize the entire industry. In addition, other less dramatic, but important, experiments are underway. To cite just a few:

- Many food retailers are experimenting with changes in store lay-out and shelving arrangements. In some cases, for instance, the Meat Department is moved to the front of the store ... in other cases, to the center of the store. Some experiments involve the placement of shelves diagonally in the Grocery Department ... others, the placement of shelving in the shape of a large hollow "X" with reserve stock kept inside the "X".

- Many food retailers are experimenting with completely different groupings of products. Some, for instance, are putting items having related uses together instead of putting all like items of a particular type together ... others are keeping all like items together, but are constantly shifting entire sections within the store to produce greater customer interest and sales.

Whether these and the many other innovations now in the experimental stage ever become popular in the retail food industry still remains to be seen. However, the fact that retailers are constantly looking for new and better methods is an encouraging sign, indicating that a more scientific approach is being taken in the whole area of retailing than ever before. Such an approach, requiring high-caliber personnel at all levels, opens entirely new career possibilities in the industry and portends even greater opportunity for industrious, creative individuals.

SELF-QUIZ

Self-Study Unit #1

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. Which of the following is regarded as "the first retail establishment in this country"? (I-2)

   ☐ The General Store
   ☐ The Trading Post
   ☐ The Specialty Store ✓
   ☐ The Supermarket

2. Match the items at the left with the proper characteristic at the right. (I-2 to I-11)

   ____ Trading Post
   ____ General Store
   ____ Specialty Store
   ____ Combination Store

   a. Mainly geared to an agricultural society.
   b. Consisted of a grocery store and meat market joined by a door.
   c. Chiefly engaged in barter with Indians and trappers.
   d. Evolved as a result of mid-19th century urbanization.

3. (TRUE or FALSE) The concept of self-service was introduced in the era of the General Store. (I-6) ____________

4. Who is generally credited with having introduced the first departmentalized retail store? (I-6) ______________________

5. (TRUE or FALSE) Chain stores became the dominant factor in the retail food industry immediately after the Civil War. (I-7) ____________

6. (TRUE or FALSE) The "economy stores" introduced by A & P in 1912 were not particularly successful until the Great Depression of the 1930's. (I-8) ____________

7. (TRUE or FALSE) The first Co-operative and Voluntary groups were formed by independent grocers and wholesalers in the middle 1920's for the purpose of enabling the independents to compete with the chains. (I-10) ____________

8. What was the name of the first supermarket, opened in Elizabeth, N.J. on December 8, 1932? (I-12) ____________________

9. (TRUE or FALSE) Food chains are generally credited with having pioneered the supermarket, in that they were the first to recognize the supermarket's potential and they built thousands of new supers in the early 1930's. (I-14) ___________

10. (TRUE or FALSE) The shortage of manpower in the food industry during World War II accelerated the use of self-service in retail food stores. (I-14) ___________

11. (TRUE or FALSE) Much of the equipment, products, and packaging material in popular use in the food industry today was developed during World War II, or shortly afterwards as a direct result of wartime research. (I-16) ____________

12. Briefly describe the concept of "one-stop shopping" popular with supermarkets today. (I-18) ____

____

13. What percent of the total retail sales in America is accounted for by the retail food industry? (II-1, S-1)

☐ 11% ☐ 37-1/2%
☐ 25% ☐ 40%

14. How many retail food stores are there in America today? (II-1, S-4)

____

15. How many people are employed in the retail food industry in America? (II-2, S-7) ____________________

16. (TRUE or FALSE) The largest retail business in America today is a retail food company. (II-3, S-13) ___________

17. (TRUE or FALSE) Four of the ten largest retail businesses in America today are retail food companies. (II-3, S-12) ____________

18. (CIRCLE THE CORRECT ANSWER) Since 1948, retail food prices have increased at a far (slower ... faster) rate than the average family income. (II-6, S-29)

19. The average American family today spends only about ____% of its after-tax income on food, compared to about ____% in 1948. (II-6, S-26)

20. (CIRCLE THE CORRECT ANSWER) The average American family spends a considerably (greater ... smaller) share of its income on food than families in other countries. (II-7, S-35)

21. In 1948, the head of a family worked ____ hours to pay for a month's supply of food, while today he works only ____ hours. (II-9, S-41)

22. Two major reasons why retail food prices have remained relatively stable in recent years are: (II-10, S-48)

- the increased ________________ of all the parties involved in the production and distribution of food; and,
- the intense ________________ in the food industry today.

23. Profit after taxes in the retail food industry amounts to about _____% of sales. (II-11, S-52)

24. Of the $1,250 per year spent for food by the average American family, the retail food store makes a net profit of about $_____, or about ____¢ per family per week. (II-11, S-54)

25. Even if retail food sales increased only as fast as the total population from now till 1975, we could expect a gain in sales of about _____% for the industry. (III-1)

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 2

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

From the Producer to the Consumer

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #2

In the previous Unit, you saw something of the historical and continuing importance of the grocery industry in America. You also read of its contributions to the American economy as a whole, and learned of the future prospects for this vital industry.

In this Unit, you will see how products move from producer to consumer in American business in general and in the grocery industry in particular. Many of the terms used in this Unit will not be new to you; however, the main purpose of this Unit is to review the underlying reasons -- the why's and wherefore's -- of the dynamics of product distribution. Specifically, in this Unit, you will study:

Section I. THE BASICS OF PRODUCT DISTRIBUTION

A. Business Fundamentals

B. The Flow of Goods to the Consumer

Section II. CHANNELS OF DISTRIBUTION FOR FOOD PRODUCTS

A. The Producer

B. The Middleman

C. The Manufacturer or Food Processor

D. The Wholesale Level

E. The Retail Level

Section III. BUYING PRACTICES AT THE WHOLESALE LEVEL

A. Importance of the Buying Function

B. Brand Policies

C. New Item Selection

D. Re-Ordering Procedures

E. Legal Aspects of Buying

I. THE BASICS OF PRODUCT DISTRIBUTION

BUSINESS FUNDAMENTALS

In a business transaction, something owned by one person or company is traded, rented, or sold to another person or company. In most cases, the transfer is through outright sale, and the "something", called the product, is classed as raw materials, industrial goods, or consumer goods.

- Raw materials are products of nature which have not as yet undergone any more processing than is required for convenient handling and shipping. Cotton, crude oil, and iron ore are examples of raw materials ... and the person or company who originates such products is called the producer or the primary producer.

- Industrial goods are products made by one manufacturer and sold to another manufacturer for use in making other products or in conducting a business. Packaging materials, heavy machinery, and office equipment are examples of industrial goods ... and the person or company who makes such products is called an industrial goods manufacturer.

- Consumer goods are products ultimately sold to an individual (called the consumer) for his personal or household use. Home furnisnings, toiletries, and clothing are examples of consumer goods ... and the person or company who makes such products is called a consumer goods manufacturer.

Some products can be classed as both consumer goods and industrial goods, depending on their intended usage. For example: an automobile sold to an individual for personal and family use would be classed as consumer goods, while the same automobile sold for use as a taxicab or delivery vehicle would be classed as industrial goods.

Similarly, flour sold to a housewife would be consumer goods, but flour sold to a bakery would be industrial goods. However, for the most part, food products are classed as consumer goods.

Between the creation of raw materials and the ultimate use of finished products by consumers, there are a number of persons or companies who serve a wide range of functions. The pivotal link in this flow of goods from the producer to the consumer is the manufacturer.

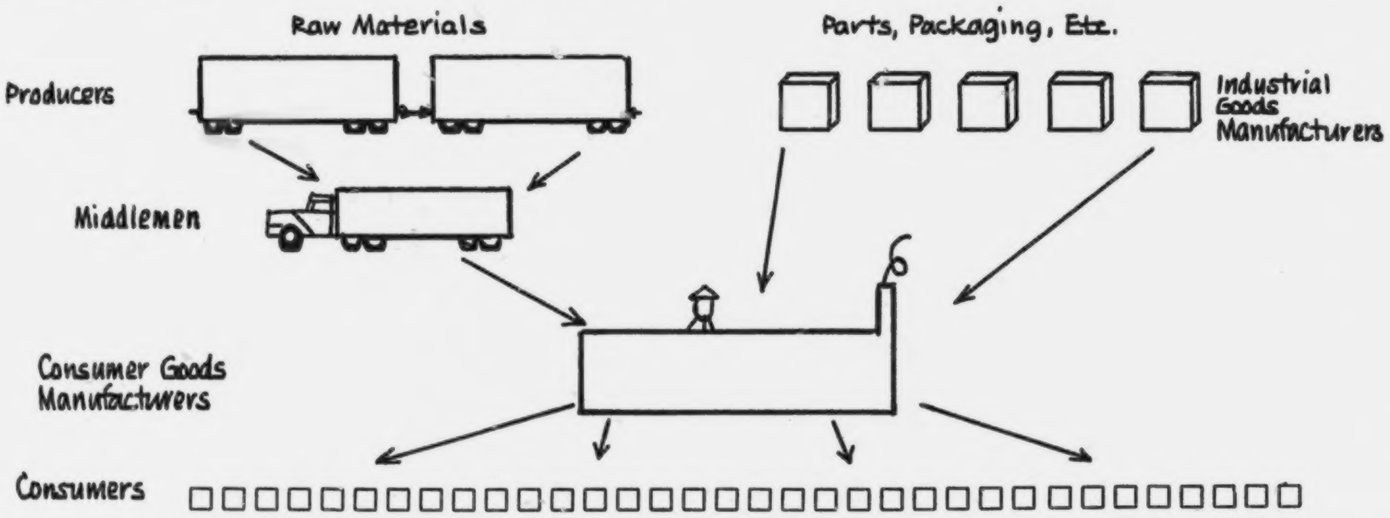
THE FLOW OF GOODS TO THE CONSUMER

Consumer goods manufacturers use raw materials or industrial goods or both, and make them into finished products for use by consumers.

- Some obtain their own raw materials; for example, many lumber producers have their own timberland, and many large petroleum companies have their own oil fields. Such companies are referred to as integrated companies.

- However, most manufacturers buy the raw materials and the industrial goods they use from others, called their sources of supply or suppliers. A manufacturer's sources of supply may include industrial goods manufacturers, producers and/or middlemen (those who buy raw materials from numerous producers and re-sell them to manufacturers).

Thus, we can diagram the flow of raw materials and industrial goods to the consumer goods manufacturer as follows:



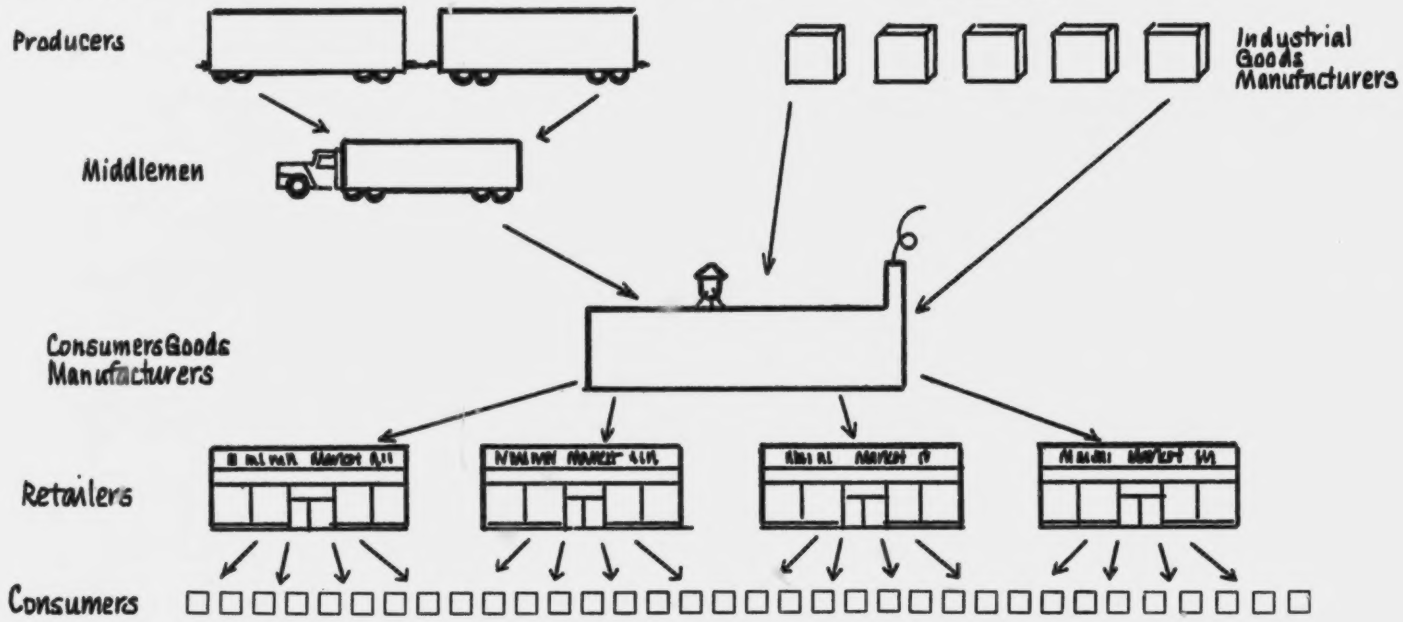
Except for a few cases, the flow of goods is not usually as simple as in the above diagram, because:

- Efficiency in manufacturing demands that manufacturers MAKE their items in large quantities.

- Efficiency in selling, packing, transporting, and billing demands that they SELL and SHIP their products in large quantities.

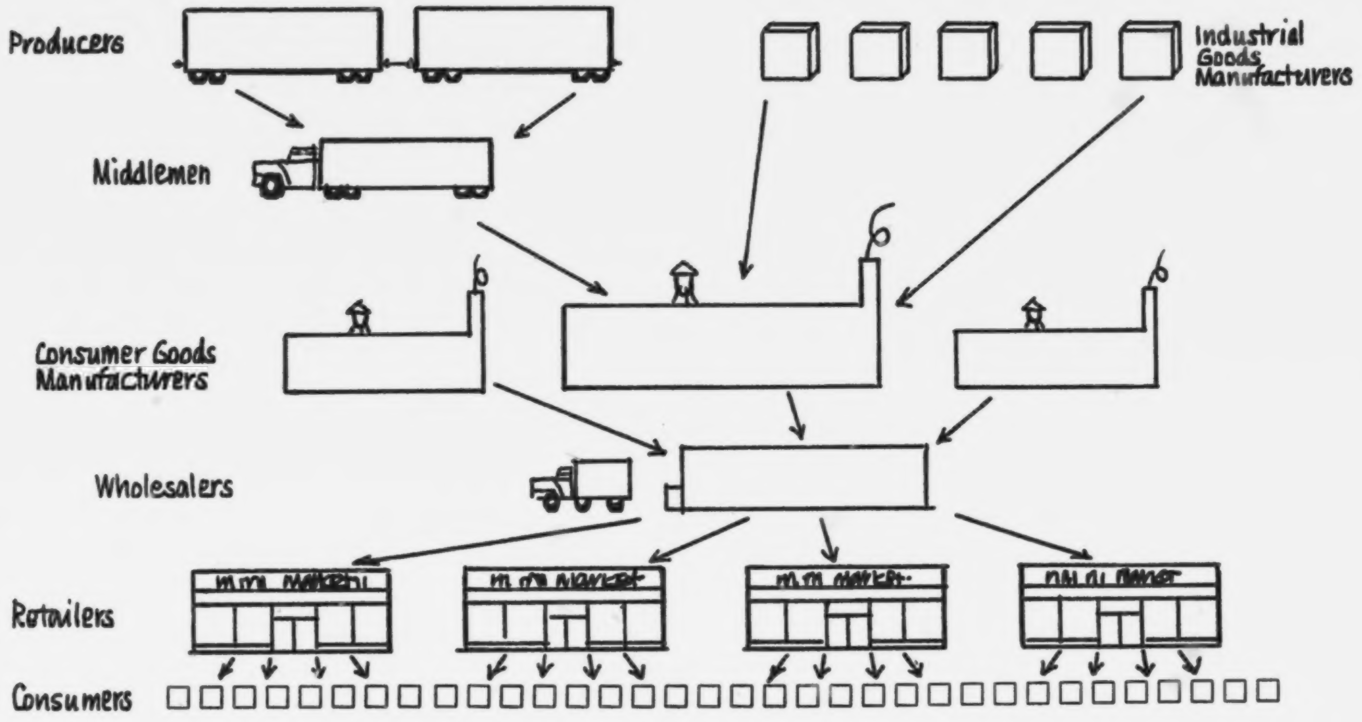
Generally, it is uneconomical and impractical for thousands of manufacturers to sell great quantities of goods directly to over 190,000,000 consumers. For this reason, most consumer goods manufacturers sell their products through retailers who buy the products a case or more at a time and sell them to consumers one or a few at a time.

Now we can add another element in our diagram of the flow of goods from the manufacturer's sources of supply to consumers -- the retailer:


Producers
Industrial Goods Manufacturers
Middlemen
ConsumersGoods Manufacturers
Retailers
Consumers

Retailers stock and sell a variety of products made by many different manufacturers. However, because of limited appeal of some products, or for other reasons, a retailer cannot usually sell ENOUGH of a product to justify large purchases from the manufacturer. While some retailers may buy in large enough quantities to make it economically feasible for manufacturers to sell directly to them, most retailers usually buy in relatively small quantities. So, manufacturers generally sell their products to wholesalers.

Now, still another element can be added in our diagram of the flow of goods from their sources to consumers -- the wholesaler:


Producers
Industrial Goods Manufacturers
Middlemen
Consumer Goods Manufacturers
Wholesalers
Retailers
Consumers

The manufacturer, then, generally sells to relatively few wholesalers (instead of to thousands of individual retailers) who then re-sell the products in smaller quantities to many retailers who, in turn, sell the products one or a few at a time to millions of consumers. This flow of goods to the consumers is referred to as a channel of distribution, and is used by most consumer goods manufacturers. However, there are exceptions:

- Some manufacturers sell direct to consumers (example: The Fuller Brush Company).
- Some manufacturers sell direct to retailers (example: most clothing manufacturers).
- Some manufacturers sell BOTH to consumers AND to retailers (example: dairies offering home delivery).

The channel of distribution described above applies to most food products sold in retail food stores. However, produce (fresh fruits and vegetables) is sold at retail "as is"; that is, it by-passes the manufacturer and is sold by middlemen to wholesalers. Also, meat is often sold by the manufacturer (the meat packer) directly to retailers, by-passing the wholesaler.

In summary, then, the major functions in the channel of distribution are:

- Producer's function -- originates the raw materials used in the manufacture of other goods.
- Middleman's function -- for some raw materials, buys from many producers and re-sells to manufacturers.
- Industrial goods manufacturer's function -- produces the parts, accessories, or components used by other manufacturers in making other goods.
- Consumer goods manufacturer's function -- uses the raw materials and/or industrial goods bought from above sources of supply to make finished products for ultimate sale to consumers.
- Wholesaling function -- buys in large quantities from manufacturers, stores the products, and re-sells in smaller quantities to retailers.
- Retailing function -- buys products in small quantities and re-sells them one or a few at a time to consumers.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead...and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapdily and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. CHANNELS OF DISTRIBUTION FOR FOOD PRODUCTS

THE PRODUCER

S-1 All food products sold in a retail grocery store can be traced back to an ultimate source, the producer. Depending on the item involved, the producer may be: (CIRCLE ONE OR MORE)

(a) A baker or meat packer
(b) A rancher or citrus grower
(c) A canner or bottler
(d) A manufacturer or middleman

R-1
(b)

S-2 Persons who grow, or otherwise originate, raw food products are known as ______________. Some examples are: poultrymen, dairymen, farmers, ranchers, and citrus growers. Most often, they sell their products to a middleman.

R-2
producers

S-3 As is true of other raw materials, raw food products are usually sold by the producer to one or another type of ________________ who re-sells them to a manufacturer (a canner, a meat packer, etc.).

R-3
middleman

S-4 Most producers sell the raw food products they grow to one or other type of ________________. However, some large producers sell their products directly to a nearby manufacturer with whom they may make a contract and even agree on a price before the products are ready for market.

R-4
middleman

S-5 It is not unusual for a large producer (say, a farmer or a rancher) to sell all or part of his products (his crop or his herd) to a nearby manufacturer (a canner or a meat packer). Often, the producer and the manufacturer (commonly called a food processor) will even make a _ _ _ _ _ _ _ _ and agree on a _ _ _ _ _ before the products are ready for market.

R-5
contract
price

S-6 Producers most likely to sell their products directly to a manufacturer (or food processor) are characterized by their *(nearness to ... distance from)* the manufacturer's plant and by their *(large-scale ... small-scale)* production. (CIRCLE THE CORRECT WORDS)

R-6
nearness to
large-scale

S-7 A person or company who buys raw food products and prepares (or manufactures) them for ultimate sale to consumers is commonly known as: (CIRCLE ONE)

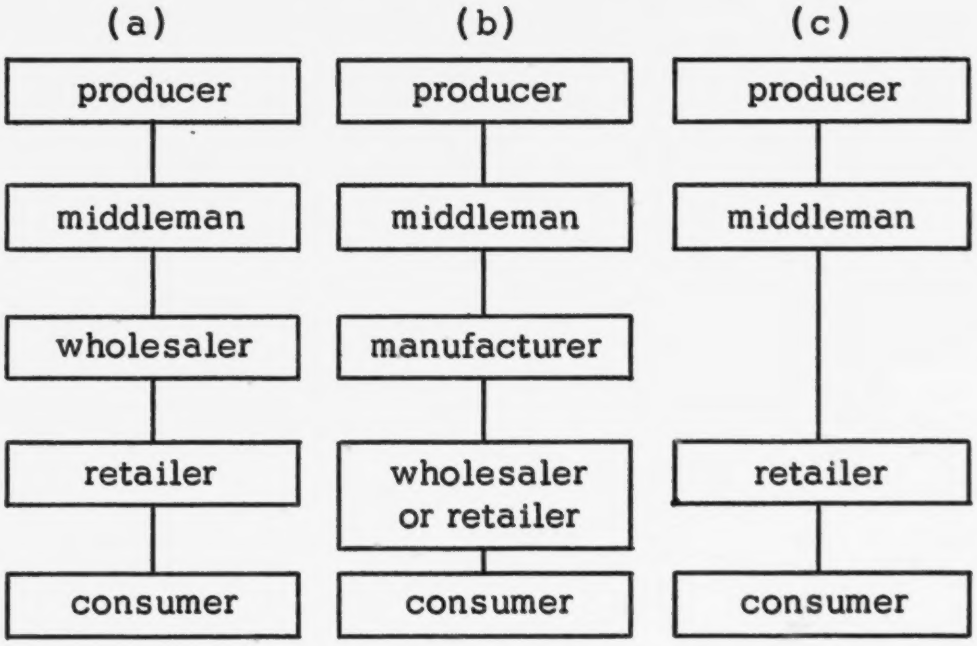
(a) A middleman
(b) A food producer
(c) A food processor
(d) A food preparer

R-7
(c)

S-8 Although some large producers sell directly to nearby manufacturers (or ________ ________________), most producers sell to a middleman who re-sells the products to a manufacturer. However, in the case of produce (fresh fruits and vegetables), the manufacturer is by-passed; the middleman sells the products to a wholesaler or to retailers.

R-8
food processors

S-9 Which TWO diagrams below depict the ways in which fresh fruits and vegetables reach the consumer?

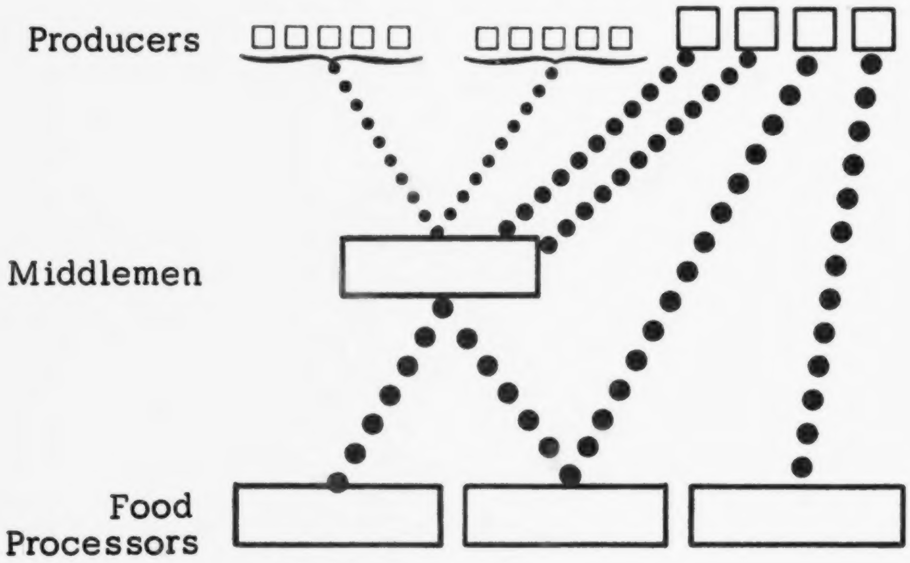

(a)
producer
middleman
wholesaler
retailer
consumer
(b)
producer
middleman
manufacturer
wholesaler or retailer
consumer
(c)
producer
middleman
retailer
consumer

R-9
(a) and (c)

S-10 Fresh fruits and vegetables are sold by the producer to a ________________ who then re-sells to a ___________ or to a _________.

R-10
middleman
wholesaler (or)
retailer

S-11 To summarize thus far: except for produce, most raw food products pass from producers to middlemen to manufacturers; some *(large ... small)* producers sell direct to nearby manufacturers. This flow of goods is shown in a simplified diagram:



R-11
large

THE MIDDLEMAN

S-12 Middlemen operate at two levels in the channel of distribution for raw food products: local markets and central markets.

- Local markets are minor concentration points for raw food products, and are located near producers.
- Central markets are major concentration points for raw food products, and are located in important transportation centers.

Which of the above would you expect is equipped to receive, unload, store, and ship raw food products in large quantities? ... *local markets* or *central markets*. (CIRCLE ONE)

R-12
central
markets

S-13 Some middlemen operate at local markets, and others at central markets. ___________ markets are minor concentration points for raw food products located near producers, whereas _____________ markets are major concentration points located in important transportation centers and are equipped to receive, unload, store, and ship products in large quantities.

R-13
Local
central

S-14 On their way from the producer to the food processor, raw food products generally pass through a middleman at the _________ market and through another middleman at the ______________ market.

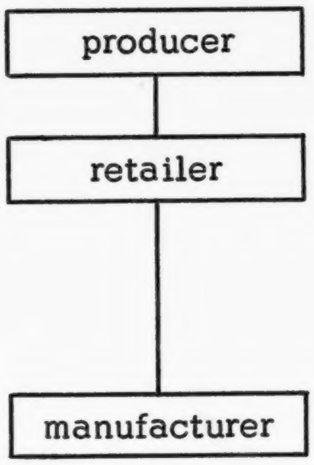
For example:

> Wheat is a major crop in the broad area from Texas northward through North Dakota. If you were to ride a train through the area, you would pass numerous grain elevators (one or two standing alone beside the track, or clusters of two to five in towns along the way) where farmers sell their wheat; these so-called "country grain elevators" are the local markets for wheat. As you approached one of the major cities which serve as important transportation centers (such as Minnespolis, Kansas City, Omaha, or St. Louis), you would pass large concentrations of grain elevators; these are the central markets for wheat.

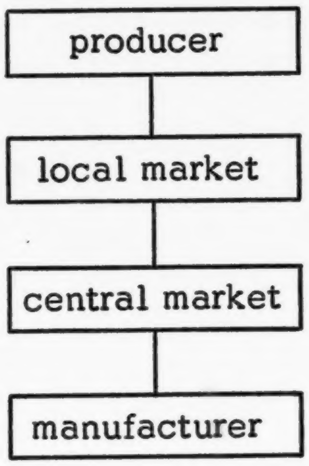
R-14
local
central

S-15 Which diagram below illustrates the usual flow of goods from producers to the manufacturer or food processor?

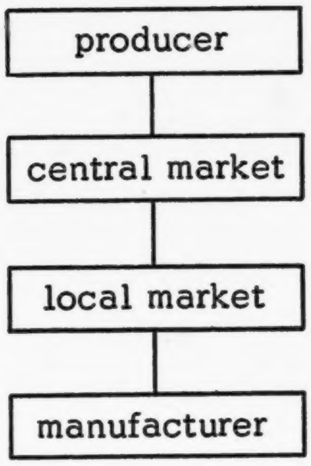
(a)



(b)



(c)



R-15
(b)

1. Functions of Local Market Middlemen

S-16 Most local market middlemen buy raw food products from producers and re-sell them at the central markets. However, some ________ ____________ middlemen re-sell them directly to manufacturers.

R-16
local market

S-17 Local market middlemen buy from numerous producers and usually sell at ____________ markets, but some sell instead to manufacturers. Most producers sell to local market middlemen mainly because they do not produce in sufficient quantities to permit economical shipment over long distances to central markets.

R-17
central

S-18 Since World War II, the number of farms in America has decreased considerably, and the average size has increased. However, there are still a great many relatively small producers located far from potential buyers (central markets and manufacturers) who cannot afford to ship small quantities of products long distances. Instead, they sell their products to ________ ____________ ____________________ who buy large quantities of products and ship them by the truckload or railroad car.

R-18
local market
middlemen

S-19 Which of the following are true of producers who sell to local market middlemen? (CIRCLE ONE OR MORE)

(a) Are located near central markets and manufacturers.
(b) Are extremely large-scale producers.
(c) Are generally small-scale producers.
(d) Are located far from central markets and manufacturers.

R-19
(c) and (d)

S-20 There are other reasons why producers usually sell to a local market middleman, besides their *(small-scale...large-scale)* production and their *(nearness to ... distance from)* central markets and manufacturers. As a practical matter, small producers cannot always keep abreast of price fluctuations and market conditions hundreds of miles away. Further, most lack the experience necessary to deal successfully with central market middlemen, who prefer to buy and sell in large quantities anyway.

R-20
small-scale
distance from

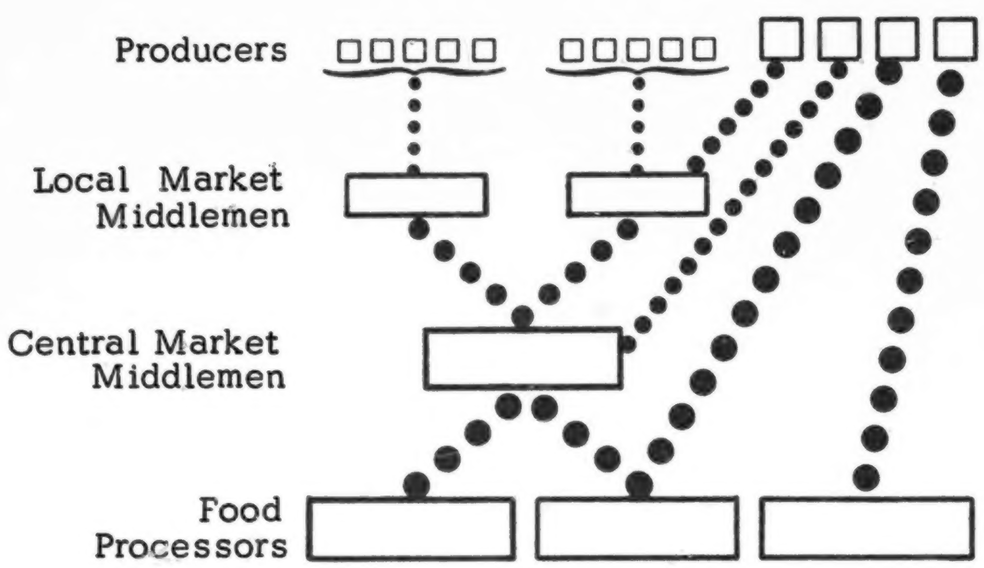
S-21 Local market middlemen, then, buy raw food products in small quantities from numerous ________________. They then combine these purchases for economical shipment by truck or rail to central markets or, in some cases, to manufacturers.

R-21
producers

S-22 The middleman at the local market buys raw food products in small quantities from many producers and ships them in *(small ... large)* quantities, usually to central markets. There, he sells them to other middlemen who later re-sell them to large-quantity buyers, principally manufacturers (or ________ ______________________).

R-22
large
food processors

S-23 If we were to add the middlemen at __________ markets and the middlemen at _____________ markets to the basic illustration in S-11, it would look like this:



R-23
local
central

2. Functions of Central Market Middlemen

S-24 Central market middlemen buy raw food products from local market middlemen and re-sell them to food processors. These ____________ ____________ middlemen also buy from large producers.

R-24
central
market

S-25 Which of the following might sell raw food products to central market middlemen? (CIRCLE ONE OR MORE)

(a) Local market middlemen
(b) Small producers
(c) Manufacturers
(d) Large producers

R-25
(a) and (d)

S-26 Central market middlemen buy from local market middlemen and/or from _________ ______________. In many cases, they also grade and store the products for later sale; thus, their customers are able to obtain raw food products in ample quantities and consistent quality at any time of the year.

R-26
large producers

S-27 Middlemen at central markets buy raw food products from middlemen at local markets and/or from large producers. Generally, they also _ _ _ _ _ and _ _ _ _ _ the products for later sale, thus enabling food processors to obtain the products they need in ample quantities and consistent quality throughout the year, instead of only at harvest time.

R-27
grade (and)
store

S-28 As we saw, a local market middleman performs an important service by eliminating the need for small producers to ship products long distances. A central market middleman performs an important service by grading and storing raw food products, thereby enabling food processors to obtain needed products in ample _ _ _ _ _ _ _ _ _ _ _ and consistent _ _ _ _ _ _ _ throughout the year.

R-28
(ample)
quantities
(consistent)
quality

S-29 If, at harvest time, a food processor were to buy all the raw food products needed for a whole year's production, he would require huge storage facilities and would tie up large amounts of working capital in inventory. Central market middlemen make it possible for the ________ ________________ to obtain products in ample quantities and consistent quality throughout the year, in keeping with his production schedules.

For example:

> Consider again the case of wheat. Over 51 million acres are devoted to growing wheat, and total annual production exceeds 1-1/4 billion bushels (or 75 billion pounds) providing income to farmers of over 2-1/4 billion dollars. Over 26 billion pounds of wheat flour is produced a year in this country, representing over a billion dollars worth of wheat at farm prices. If flour producers had to buy at harvest time enough wheat for their whole year's needs, they would clearly have to maintain tremendous storage facilities and either borrow to pay for it or tie up huge amounts of working capital in raw materials' inventory. Most flour mills find it far less expensive to buy wheat as needed from central market middlemen.

R-29
food processor

S-30 By purchasing from central market middlemen, the food processor benefits because he: (CIRCLE ONE OR MORE)

(a) Provides additional employment opportunities for people at central markets.
(b) Needs far less storage facilities of his own.
(c) Can buy a full year's needs at one time.
(d) Doesn't have to tie up large amounts of money in inventory.
(e) Can buy products as needed, depending on his production schedules.

R-30
(b), (d),
and (e)

S-31 We have now seen that middlemen operate at two levels in the channel of distribution for food products: at ____________ ______________ and at ____________ ______________. At both these levels, there are different types of middlemen who operate in different ways.

R-31
local markets
central markets

3. Types of Local Market Middlemen

S-32 Middlemen at local markets include:

- Independent buyers -- buy products in their own name and hope to re-sell them at a profit.
- Producers' co-operative associations -- organizations of local producers which buy and sell products, and share their profits with member producers.
- Commission agents -- buy from producers on behalf of central market middlemen or food processors, and are paid a commission on the purchases.

Which of the above do not actually own the products they buy? ______________________________

R-32
commission
agents

S-33 Although some large producers sell direct to central market middlemen or to food processors, most producers sell to local market middlemen: independent buyers, producers' co-operative associations, or commission agents. A person who buys raw food products in his own name and re-sells them to central market middlemen or to food processors at a profit is called an ______________________ ______________.

R-33
independent
buyer

S-34 Independent buyers ______ raw food products in their own names and attempt to ____-________ them to central market middlemen or food processors at a profit.

For example:

An independent buyer might operate in this way: starting out with an empty truck, he travels from one farm to another on a regular route, arriving at each farm about the same time every day or on specified days of the week. At each stop, he buys the products ready for market, depending on his particular specialty. When his truck is filled to capacity, he drives to the nearest central market or to a food processor where he re-sells the products at a profit.

R-34
buy
re-sell

S-35 A type of local market middleman who buys products in his own name and re-sells them at a profit is called an ________________ __________. An organization of local producers which buys and sells products, and shares its profits with member producers, is called a producers' co-operative association.

R-35
independent
buyer

S-36 Organizations of local producers which function as local market middlemen are called ______________ ______________ ____________________. Members share in the profits of the organization in the form of patronage dividends, in proportion to the value of the products each producer sells to the organization during a given period of time.

R-36
producers'
co-operative
associations

S-37 Producers' co-operative associations share their __________ with members who sell their products to the association by paying patronage dividends, or rebates based on the value of the products each producer sells to the association over a period of time.

R-37
profits

S-38 Profits of a producers' co-operative association are paid out to all member producers at regular intervals, usually every 3 months or every year. These rebates (called ______________ ____________________) are based on the value of the products each producer sells to the association during that time.

For example:

Let's say that a particular association with 200 members handled $4,000,000 worth of raw food products and had a net profit of $20,000 in a given year. This amounts to $1 for each $200 worth of products purchased ($4,000,000 ÷ $20,000). Thus, a member who sold $10,000 worth of products to the association would receive $50 as his share of the profits ($10,000 ÷ $200), while a member who sold $60,000 worth would receive $300 as his share ($60,000 ÷ $200).

R-38
patronage
dividends

S-39 Two types of local market middlemen, then, are ________________ ______________ who buy products in their own name, and ________________, ________________ ____________________ which buy and sell products but share their profits with member producers. The third is the commission agent who buys from producers on behalf of a central market middleman or a food processor, and is paid a commission on the value of the products he buys.

R-39
independent
buyers
producers'
co-operative
associations

S-40 Unlike independent buyers and producers' co-operative associations, ________________ ____________ do not obtain title to the products they buy. Instead, they buy from producers on behalf of someone else (a central market middleman or a food processor) and are paid a commission based on the amounts purchased.

R-40
commission
agents

S-41 In summary, then, the three types of local market middlemen are: independent buyers who buy and sell products in their own name; producers' co-operative associations which share their profits with member producers; and ____________ ____________ who buy products on behalf of central market middlemen or food processors, but do not take title to the products. Now, let's look at the types of central market middlemen.

R-41
commission
agents

4. Types of Central Market Middlemen

S-42 There are four major types of ____________ ____________ middlemen: independent merchants; co-operative associations; commission firms; and brokers. An independent merchant, like an independent buyer at the local market, takes possession and ownership of products in his own name and re-sells them at a profit.

R-42
central
market

S-43 Although middlemen at central markets operate on a much larger scale than those at local markets, there are similarities. For example: independent merchants and independent buyers buy raw food products in their own name, hoping to re-sell them at a profit. The big difference, of course, is that independent buyers generally buy from producers and re-sell to central market middlemen, whereas ____________ ____________ generally buy from local market middlemen or from large producers, and re-sell to food processors.

R-43
independent
merchants

S-44 Independent buyers at local markets and ____________ ____________ at central markets buy and sell products in their own name, for their own personal profit. Co-operative associations at central markets share their profits with members from whom they buy in the form of patronage dividends.

R-44
independent merchants

S-45 We saw that producers' co-operative associations buy from producers and share their profits with members in the form of ____________________ ________________. Co-operative associations at central markets buy from large producers and from producers' co-operative associations at local markets, and also share their profits with members.

R-45
patronage dividends

S-46 Producers' co-operative associations at local markets and ____________________ ____________________ at central markets are similar in that they both share their profits with their respective members. Comission agents at local markets and commission firms at central markets are also similar in that they don't obtain title to products they buy, but instead buy on behalf of someone else.

R-46
co-operative associations

S-47 As we saw, commission agents at local markets do not take title to products but buy from producers on behalf of a central market middleman or a food processor, and receive a commission on the amounts purchased. Similarly, ____________________ ____________ at the central markets do not take title to products, but sell to food processors on behalf of local market middlemen or large producers, receiving a commission on the amounts sold.

R-47
commission firms

S-48 Local market middlemen and large producers might sell their products outright to a central market middleman or to a food processor. Or, they might instead choose to retain title to the products and pay someone else a commission for selling the products to a food processor; this third party is called a:

(a) Commission agent
(b) Independent merchant
(c) Commission firm
(d) Independent buyer

R-48 (c)	S-49	At central markets, ____________________ __________ do not take title to the products they handle, but sell products on behalf of large producers or local market middlemen; the same is true of brokers, but brokers do not generally obtain title OR possession of the products.
R-49 commission firms	S-50	Commission firms and brokers sell products to food processors on behalf of large producers or local market middlemen. However, commission firms actually receive and store the products but do not obtain title or ownership, while ______________ do not generally handle the products and do not obtain title or ownership.
R-50 brokers	S-51	Central market middlemen who sell products without obtaining possession OR ownership of the products, are called ________________. A large producer or a local market middleman who employs this type of middleman generally ships the products directly to the buyers, and pays a commission on the sale.
R-51 brokers	S-52	We have now studied four major types of central market middlemen: ____________________ __________________, co-operative associations, __________________ ____________, and brokers. Produce (fresh fruits and vegetables) is sold in large quantities by these types of middlemen, but also in smaller quantities by car-lot wholesalers and auctioneers.
R-52 independent merchants commission firms	S-53	At central markets, raw food products are usually sold in very large quantities to food processors. However, as we saw earlier, produce (that is, fresh _________ and __________________) is sold to retailers or to wholesalers who re-sell to retailers. Independent merchants, co-operative associations, commission firms, and brokers may sell produce in large quantities, while car-lot wholesalers and auctioneers usually sell in smaller quantities.

R-53 fruits (and) vegetables	S-54	Car-lot wholesalers and ____________ are specialized central market middlemen who deal only in produce. Car-lot wholesalers buy in carload shipments, and break them up into smaller lots for sale to retailers and wholesalers.
R-54 auctioneers	S-55	Central market middlemen who buy carload shipments of produce and break them up into smaller lots for sale to retailers and wholesalers are called ______-______ ____________________.
R-55 car-lot wholesalers	S-56	Much of the produce that passes through central markets is sold by _____-______ ______________ who buy in carload shipments and break them up into smaller lots for sale to _______________ and to _______________. Some is sold by auctioneers who mainly deal in citrus fruits, buying in carload shipments (usually from producers' co-operative associations) and selling at auction to large retailers, wholesalers, and brokers who buy on behalf of hospitals, schools, and other institutions.
R-56 car-lot wholesalers retailers (and) wholesalers	S-57	Central market middlemen who buy produce (mainly _________ ___________) in carload shipments from producers' co-operative associations and sell them at auction to large retailers, wholesalers, and brokers (who buy on behalf of hospitals, schools, and other institutions) are called _______________.
R-57 citrus fruits auctioneers	S-58	Two specialized central market middlemen dealing only in produce are _____-______ __________________ and __________________. As we saw, the four major types of central market middlemen also sell produce, but principally sell other raw food products in very large quantities to food processors.

R-58
car-lot
wholesalers
(and)
auctioneers

THE MANUFACTURER OR FOOD PROCESSOR

S-59 The manufacturer or food processor is the pivotal link in the channel of distribution for food products (except produce) in that he is the only party who materially changes the products on their way to consumers. Food processors include: (CIRCLE ONE OR MORE)

(a) Meat packers
(b) Bakers
(c) Canners
(d) Dairy
(e) All of the above

R-59
(e)

1. Classifications of Manufacturers

S-60 Food processors may be classified as national, regional, or "private label" manufacturers.

- Those whose products are sold throughout the country are, of course, classified as ________________ manufacturers.
- Those whose products are sold only in certain parts of the country are classed as ________________ manufacturers.
- Those whose products are sold under a retailer's or wholesaler's special brand name are classed as "________________ ______________" manufacturers.

R-60
national
regional
"private label"

S-61 A manufacturer whose products are sold throughout the country is called a ________________ manufacturer, while one whose products are sold only in certain parts of the country is called a ______________ manufacturer; products made by both are often referred to as manufacturer brands. A manufacturer whose products are sold under a retailer's or wholesaler's special brand name is classified as a "______________ ____________" manufacturer, and the products are referred to as controlled or "private label" brands.

R-61
national
regional
"private label"

S-62 A manufacturer may contract to make products for sale under retailers' or wholesalers' special brand names. Such a manufacturer is called a "private label" manufacturer and the products are referred to as ________________ or "private label" brands. Some national and regional manufacturers also make "private label" brands.

R-62
controlled

S-63 The three classifications of manufacturers are national, regional, and "private label". Some national and regional manufacturers make products for sale under a retailer's or wholesaler's special brand name in addition to their own manufacturer brands, but "private label" manufacturers make only ________________ or "____________ ____________" brands. The major functions of all manufacturers are purchasing, production, and marketing.

R-63
controlled (or)
"private label"

2. Major Functions

S-64 The major functions of a manufacturer or ____________ ________________ are purchasing, production, and marketing. The purchasing function has an important effect on the quality of his products (and therefore on his reputation and his sales).

R-64
food processor

a. Purchasing

S-65 The quality of a manufacturer's products, upon which his reputation and his sales depend, is directly affected by the quality of the raw materials he uses. Thus, it is easy to see the importance of the ________________ function with respect to a manufacturer's ultimate success.

R-65 purchasing	S-66	A manufacturer's ultimate success depends in large part on careful purchasing to maintain the _______________ of his products. It also depends on his ability to anticipate price trends, since slight fluctuations in price can have a great effect on his costs and his eventual profits.
R-66 quality	S-67	Wise buying involves keeping abreast of the market and anticipating price trends. Because of the large quantities of raw materials bought by a manufacturer, fluctuations of only a fraction of a cent in the _____ of raw materials can have a great effect on his costs and his eventual _______.
R-67 price profits	S-68	Buyers employed by a manufacturer must always be aware of the effects of their buying decisions on the _________________ of the manufacturer's products and on his eventual _______________. In most cases, different buyers purchase raw food products and industrial goods such as packaging materials.
R-68 quality profits	S-69	It is common for a manufacturer to split the _____________________ function, employing one buyer or group of buyers to buy raw food products and another buyer or group of buyers to buy industrial goods such as packaging materials. This is done because buyers of raw food products buy at central markets, local markets, and/or from large producers, while buyers of packaging materials generally have their offices at the manufacturer's headquarters or plants.
R-69 purchasing	S-70	Buyers of packaging materials and other industrial goods are usually located at the manufacturer's headquarters or plants, and are contacted there by the suppliers' salesmen. Buyers of raw food products usually buy "on the spot": at _______________ _______________, at ________ _______________, and/or from large producers.

R-70
central
markets
local markets

S-71 Buyers of raw food products are away from the manufacturer's headquarters and plants much of the time, buying at central markets, local markets, and/or from large producers. Buyers of packaging materials, however, usually have offices at the manufacturer's ________________________ or ____________ where they are contacted by salesmen of industrial goods.

R-71
headquarters
(or) plants

S-72 Since their offices are usually located at the manufacturer's headquarters or plants, buyers of industrial goods (such as ____________ ____________) work closely with heads of production to develop better, more attractive, and more economical packaging for their products. Buyers of raw food products also work closely with heads of production to ensure that quality raw food products are available at the plant to meet production schedules.

R-72
packaging
materials

b. Production

S-73 To operate efficiently, a manufacturer must make maximum use of his production capacity (plant, equipment, and personnel). Toward this end, the head of production develops far in advance a detailed production schedule which shows what products will be made and what materials will be needed, and when. Then, he works closely with the ____________ who purchase raw food products and other materials to ensure that needed materials are available at the plant as scheduled.

R-73
buyers

S-74 To make best use of his ________________ ________________ (plant, equipment, and personnel), the head of production prepares a long-range production schedule showing what products will be made and what materials will be needed, and when. In this, he consults with personnel in charge of purchasing to ensure an uninterrupted flow of materials at the plant in accordance with the production schedule.

R-74
production
capacity

S-75 Close co-operation between production and purchasing is essential to utilize production capacity to the fullest. The head of production develops a long-range ______________ ______________ which guides buyers in their purchasing to ensure an uninterrupted flow of materials at the plant.

R-75
production
schedule

S-76 A food processor, then, must make maximum use of his production capacity, and ensure an uninterrupted __________ of ______________ at the plant. As we saw, some national and regional manufacturers make "private label" brands; this is principally done to utilize unused ______________ ______________ (plant, equipment, and personnel).

R-76
flow (of)
materials
production
capacity

S-77 Most food processors make a variety of products, but don't usually make each product every day of the year. Instead, they may make one group of products one week and another group the next week. The length of time spent making each product or group of products is called a production run; and the "master plan" that shows which products will be made and what materials will be needed, and when, is called the ______________ ______________.

R-77
production
schedule

S-78 A manufacturer's production schedule specifies the length of time to be spent making a particular product or group of products, called the ______________ ______. It also guides buyers in scheduling their purchases to ensure an uninterrupted __________ of materials at the plant. However, for some types of foods, the production schedule itself depends on when a crop is harvested.

R-78
production
run
flow

S-79 Since some foods must be processed shortly after harvesting, the manufacturer's ______________ ______________ depends on when the crop is harvested, and the production run begins as soon as the crop is ready.

For example:

> The quality of canned and frozen vegetables (such as beans and peas) is largely determined by the freshness of the raw food products used. Generally, processors of such items locate their plants near producers in order to eliminate delays which affect freshness. The production run for the product begins as soon as the crop has been picked, and the plant operates around-the-clock 7 days a week until the quantities needed have been processed and packed.

R-79
production
schedule

S-80 Two of the major functions of the manufacturer are purchasing and production. Efficiency in production depends largely on a manufacturer's making maximum use of his ______________ ______________ through careful scheduling and control of the flow of materials at the plant. The third major function of the manufacturer is marketing.

R-80
production
capacity

c. Marketing

S-81 Marketing includes all the activities necessary to bring a manufacturer's product to the consumer and induce her to buy the product and use it properly. The five major elements or phases of ____________________ are:

(a) Consumer research
(b) Product development
(c) Advertising
(d) Merchandising
(e) Selling

R-81
marketing

S-82 The statements below describe the major purpose of each element of marketing mentioned above. In the space alongside each statement, insert the proper letter from S-81 above:

(____) To "pre-sell" consumers, or create a desire to buy a particular product through use of various media such as radio, television, magazines, etc.
(____) To induce consumers to buy a particular product at the point of purchase, in the retail food store.
(____) To determine what the needs, wants, habits, and attitudes of consumers are.
(____) To create products that will satisfy the needs and wants of consumers.
(____) To persuade potential customers to buy a product through personal solicitation.

R-82
(c)
(d)
(a)
(b)
(e)

NOTE: If you got all five correct in S-82, skip over to S-92. Otherwise, proceed below.

S-83 Consumer research seeks to determine the needs, wants habits, and attitudes of consumers. If a manufacturer gives samples of one of his products to housewives and asks them to report what they like or dislike about the product, this would be an example of

__________________ __________________.

-83 onsumer research	S-84	The aim of ____________ ______________ is to determine the needs, wants, habits, and attitudes of consumers. The aim of product development is to create products which will satisfy consumer needs and wants.
-84 onsumer research	S-85	Product development activities are intended to create products which will satisfy consumer needs and wants. Obviously, in the case of food products, laboratory research and taste-testing are important phases of __________ __________________.
R-85 roduct development	S-86	The purpose of ______________ ____________________ is to create products that will satisfy consumer needs and wants. The purpose of advertising is to "pre-sell" consumers, or create a desire to buy a product through use of radio, television, magazines, and other advertising media.
R-86 product development	S-87	Advertising attempts to "pre-sell" consumers, or create a desire to buy a product at a time when they are not actually in a position to buy the product. A television commercial viewed by millions of consumers in their homes is a good example of __________________ which attempts to "pre-sell" consumers.
R-87 advertising	S-88	The goal of _________________ is to "pre-sell" consumers, or create a desire to buy a product at a time when they are not actually in a position to buy it. The goal of merchandising is to create a desire to buy the product at the point of purchase, in the retail store.

R-88 advertising	S-89	Merchandising activities seek to induce consumers to buy a particular product at the point of purchase, in a retail store. "Shelf talkers" and special product displays are examples of ____________ activities.
R-89 merchandising	S-90	The objective of all ____________ activities in a store is to get consumers to buy particular products. The objective of all selling activities is to persuade potential customers to buy a product through personal solicitation.
R-90 merchandising	S-91	Selling can be defined as an individual's efforts to persuade potential customers to buy a product through personal solicitation. If a manufacturer's representative personally attempts to persuade a retailer or a wholesaler to buy his products, this would be an example of ________.
R-91 selling	S-92	Consumer research, product development, advertising, merchandising, and selling are the five major elements of ________. Although selling can be defined as the efforts to persuade potential customers to buy a product through personal solicitation, more than this is involved for the food processor.
R-92 marketing	S-93	In the food industry, the sale of products to consumers can be regarded as a JOINT EFFORT involving the food processor, the wholesale level, and the retailer. To be successful, then, the food processor's selling activities must include much MORE than merely persuading wholesale and retail levels to buy his products through ____________ ____________. He must also provide services and assistance so they can profitably resell his products to THEIR customers.

R-93
personal solicitation

S-94 The food processor's selling activities include providing the services and assistance which enable his customers at the wholesale and retail levels to profitably re-sell his products, such as:

- Assisting them in ordering and properly rotating his products;
- Providing ideas on effective shelving, advertising, merchandising, promotion, and display of products;
- Supplying information on matters such as pricing and special discounts and allowances which would enable them to remain competitive; and
- Keeping them informed of the manufacturer's advertising and merchandising plans and promotions.

Most food processors maintain an extensive sales force to perform these ______________ activities.

R-94
selling

S-95 While most food processors maintain an extensive __________ ____________ to handle the selling function, others use independent local companies called brokers to perform essentially the same selling activities.

R-95
sales force

S-96 Instead of maintaining an extensive ____________ ____________ of his own, a food processor may use brokers to perform the selling function on his behalf.

The broker is an independent local businessman who enters into a contract with a food processor to sell certain products in a specified area. In return, he receives a percentage commission (or "brokerage") on all sales of those products in the area. Unlike a wholesaler, the broker generally does not take title to the products he sells, nor does he stock or handle the merchandise. The broker generally represents a number of different manufacturers, but does not handle similar products made by different manufacturers. In effect, then, the broker is a sales agent for the manufacturer.

R-96
sales force

S-97 Which one of the following statements is NOT true of a broker employed by food processors to sell their products at the wholesale and retail levels?

(a) Contracts to sell certain products in a specified area.
(b) Receives a commission on all sales of assigned products in his locale.
(c) Represents a number of different manufacturers.
(d) Buys, stocks, and re-sells products made by competitive manufacturers.

R-97
(d)

S-98 We have now seen that a food processor may maintain an extensive ________ ________ of his own or may use independent local companies called ______________ to handle selling activities on his behalf. In either case, an important part of the selling function is performed at the wholesale level.

R-98
sales force
brokers

THE WHOLESALE LEVEL

S-99 Except for some types of products which are sold by manufacturers directly to retailers, the wholesaling function is important in the channel of distribution for food products. The ______________________ function involves purchasing products in large quantities from many different manufacturers (or, in the case or produce, from central or local markets), storing or warehousing the items, and distributing or re-selling them in smaller quantities to many different retailers.

R-99
wholesaling

S-100 At the wholesale level, food products are bought in*(large ... small)* quantities, are stored or warehoused, and are distributed or re-sold in smaller quantities to retailers.

- By selling, billing, handling, and shipping products in large quantities, a manufacturer can effect savings in his cost of operation which are ultimately reflected in lower prices.
- By buying in large quantities, a wholesaling company effects savings in handling and transportation costs.
- By buying from a local wholesaling company, a retailer can obtain needed products on short notice without tying up large amounts of money and space in inventory.

R-100
large

S-101 The main benefit the manufacturer derives from the wholesaling function is that he can: (CIRCLE ONE)

(a) Obtain raw food products more conveniently, and at lower prices.
(b) Sell, bill, load, and ship finished products in large quantities.
(c) Control the storage and handling of his products until they are bought by consumers.

R-101
(b)

S-102 The main benefit the retailer derives from the wholesaling function is that he can: (CIRCLE ONE)

(a) Obtain products on short notice without tying up great amounts of money and space in inventory.
(b) Provide greater variety and a wider selection of products for his customers.
(c) Stock and sell products which are always fresh.

R-102
(a)

S-103 The wholesaling function involves purchasing products in large quantities from many manufacturers, storing or warehousing the items, and distributing or re-selling them in smaller quantities to many ________________. In the food industry, various types of companies perform the wholesaling function; the most important are central buying organizations.

R-103
retailers

1. Central Buying Organizations

S-104 Central buying organizations consist of a wholesaling operation (or wholesale unit) and a group of retail stores (or retail units) which are related by virtue of common ownership or some sort of working agreement. In effect, then, a __________ __________ __________ performs the wholesaling function for a specified group of member retail stores.

R-104
central buying
organization

S-105 Central buying organizations perform the ____________________ function for a specific group of retail stores:

- Most products stocked by the member stores are ordered from manufacturers through a central point (buying headquarters), thus permitting large-volume purchasing.
- Products are shipped by manufacturers to the central buying organization's warehouse(s).
- Member stores order needed products from the organization's nearest warehouse.
- In addition, buying headquarters provides other services for member stores, such as joint advertising and merchandising.

R-105
wholesaling

S-106 In a central buying organization, products sold by member stores are bought from manufacturers through a central point (namely, buying headquarters), and member stores in turn order needed products from the organization's nearest warehouse. Other services (such as joint advertising and merchandising) are also provided for member stores by the __________ ____________________

R-106
buying
headquarters

S-107 Chains and Affiliated Buying Groups are two broad types of central buying organizations which perform the ____________________ function for a specific group of retail stores. Affiliated Buying Groups include co-operative associations (called Co-ops) and Voluntary Groups (or Voluntaries).

R-107
wholesaling

S-108 Two broad types of ________________

____________ ____________________ are Chains and Affiliated Buying Groups (Co-ops and Voluntaries). For each, the wholesaling operation (or the wholesale unit) is closely associated with the retail stores (or the retail units) it supplies by virtue of common ownership or some sort of working agreement.

R-108
central buying
organizations

S-109 After each statement below, indicate whether the description applies to a Chain, a Co-operative (or Co-op), or a Voluntary.

(a) Retail units are independently owned; the store owners jointly own and operate the wholesale unit, establishing its policies and sharing its profits based on patronage. __________

(b) Retail units are owned and operated by the same company which owns and operates the wholesale unit; all retail units have the same general appearance, product lines, and prices. __________

(c) Retail units are independently owned; the store owners agree to buy from the wholesale unit which is owned and managed independent of them. ________________

R-109
(a) Co-op
(b) Chain
(c) Voluntary

NOTE: If you got all three correct in S-109, skip over to S-121. Otherwise, proceed below.

a. Chains

S-110 A Chain is variously defined as anywhere from 2 or more to 11 or more retail stores owned and operated by the same company which owns and operates the wholesale unit. Depending on its scope of operations, a Chain may be thought of as a local, regional, or national __________.

R-110 Chain	S-111	Generally, a group of retail stores (variously defined as anywhere from 2 or more to 11 or more units) owned and operated by the same company which also owns and operates the wholesale unit supplying them is referred to as a ____________, and may be local, regional, or national in scope. (NOTE: If a company or individual owns and operates a group of stores but does not own and operate a wholesale unit, it may still be classified as a Chain, although it may buy from an independent wholesaler or a Co-op or Voluntary wholesale unit.)
R-111 Chain	S-112	A common characteristic of a Chain (whether it be __________, ______________, or ______________ in scope) is common ownership of a group of retail units and the ________________ __________ which supplies them. Another feature is the standardization of appearance, product lines, and prices in all the retail units.
R-112 local, regional, (or) national wholesale unit	S-113	For the most part, the appearance, product lines, and prices of all ___________ ___________ in a Chain are standardized. This is not usually the case in Affiliated Buying Groups, since member stores are independently owned.
R-113 retail units	S-114	b. Affiliated Buying Groups In a Chain, all retail units and the wholesale unit which supplies them are usually owned and operated by the same company. In an ______________ ___________ __________ (Co-op or Voluntary) the member stores are independently owned.

R-114
Affiliated Buying
Group

S-115

An Affiliated Buying Group consists of a number of independently owned retail stores which organize to take advantage of economies of group buying, warehousing, and advertising not possible on an individual basis. Two kinds of Affiliated Buying Groups are __________ and ____________________.

R-115
Co-ops (and)
Voliuntaries

S-116

Co-ops and Voluntaries are both comprised of a number of *(independently-owned ... centrally owned)* retail stores and a wholesale unit. However:

- In a Co-op, the wholesale unit is owned and operated by the members themselves who establish its policies and employ a manager to conduct its day-to-day activities.
- In a Voluntary group, the wholesale unit is owned and managed independently of the member stores.

R-116
independently
owned

S-117

Since each store is independently owned, the members of a Co-op or Voluntary operate their stores as they see fit, but they buy primarily from the wholesale unit. In the case of a Co-op, the wholesale unit itself is owned and run *(by the members ... independently of the members)* and the member stores usually share in the profits on the basis of patronage. In the case of a Voluntary, the wholesale unit is owned and run *(by the members ... independently of the members)*.

R-117
by the members
independently of
the members

S-118

Which of the statements below describes the relationship between the member stores and the wholesale unit in a Co-op?

(a) The wholesale unit is owned and managed independently of the member stores.
(b) The wholesale unit owns and operates the member stores.
(c) The member stores own and operate the wholesale unit and usually share in its profits.

R-118
(c)

S-119 Which of the statements below describes the relationship between the members and the wholesale unit in a Voluntary?

(a) The wholesale unit is owned and managed independently of the member stores.
(b) The wholesale unit owns and operates the member stores.
(c) The member stores own and operate the wholesale unit and usually share in its profits.

R-119
(a)

S-120 In which type of Affiliated Buying Group do the members usually share in the profits of their respective wholesale units on the basis of patronage? __________

R-120
Co-op

S-121 The two broad types of central buying organizations, then, are __________ and Affiliated Buying Groups which include __________ and __________________. Other types of wholesaling operations are independent wholesalers (or jobbers), produce wholesalers, rack jobbers, and wagon distributors.

R-121
Chains
Co-ops (and)
Voluntaries

2. Other Types of Wholesaling Operations

S-122 In addition to Chains and Affiliated Buying Groups (Co-ops and Voluntaries), other types of organizations which perform the ____________________ function are: independent wholesalers (or jobbers); produce wholesalers; rack jobbers; and wagon distributors.

R-122
wholesaling

a. Independent wholesalers (or jobbers)

S-123 Independent wholesalers (or jobbers) primarily serve retailers who do not belong to either of the two broad types of ___________ ____________ ________________________.

R-123
central buying
organizations

S-124 Retailers who do not belong to a central buying organization are often referred to as Unaffiliated Independents. They usually obtain products through ______________ ______________ (or jobbers), many of whom operate on a cash-and-carry basis. That is, retailers pick up needed products at the jobber's warehouse and pay for them on the spot.

R-124
independent
wholesalers

S-125 Independent wholesalers (or ____________) primarily sell to Unaffiliated Independents or retailers who *(do ... do not)* belong to a central buying organization. Sales are often on a ________-______-__________ basis. The number and importance of independent wholesalers has declined greatly since World War II; however, in that time, many have founded and sponsored Voluntary groups.

R-125
jobbers
do not
cash-and-carry

S-126 Since World War II, many independent wholesalers (or jobbers) have founded and sponsored ______________ groups. Most of these have continued to serve Unaffiliated Independents, often on a ________-______-__________ basis.

R-126
Voluntary
cash-and-carry

S-127 Besides central buying organizations and independent wholesalers (or ____________), another type of wholesaling operation is the produce wholesaler. Like the independent wholesaler, the produce wholesaler primarily serves ____________ ________________ (or stores which do not belong to a central buying organization), but sells only fresh fruits and vegetables (produce).

R-127
jobbers
Unaffiliated Independents

b. Produce wholesalers

S-128 The independent wholesaler and the produce wholesaler are similar in that they both sell to stores which do not belong to a central buying organization. However, the ____________________ ____________________ specializes in grocery products, while the ____________________ ____________________ sells only fresh fruits and vegetables.

R-128
independent wholesaler
produce wholesaler

S-129 The produce wholesaler sells __________ __________ ______ ____________________ primarily to Unaffiliated Independents, or stores which do not belong to a central buying organization. Often, retailers phone their orders in to the produce wholesaler every day or every other day for next-day delivery.

R-129
fresh fruits and vegetables

S-130 Independent wholesalers often operate on a ________-________-__________ basis. Produce wholesalers, on the other hand, often take telephone orders and deliver the products ____________________. (WHEN?)

R-130
cash-and-carry
the next day

S-131 Both the __________________ wholesaler and the ______________ wholesaler primarily sell to stores which do not belong to central buying organizations. The rack jobber is a specialized type of wholesaler who supplies all types and sizes of stores with non-food items such as health and beauty aids, housewares, soft goods, toys, etc.

R-131 independent produce		c. Rack jobber
	S-132	The rack jobber is a specialized wholesaler who supplies ______________ items (health and beauty aids, housewares, soft goods, toys, etc.) to stores of all types and sizes. The rack jobber doesn't actually sell the products to the stores, but retains ownership of the products and usually also owns the shelving units where they are displayed, paying the store a percentage of the total dollar sales of the items (usually 30%).
R-132 non-food	S-133	In most stores, non-food items such as health and beauty aids, housewares, soft goods, toys, etc., are supplied by the ________ ____________, who usually owns the stocks and the racks or shelving units where these items are displayed in the store. He services the shelves regularly and pays the store a percentage (usually _____%) of the total dollar sales of these items.
R-133 rack jobber 30%	S-134	The rack jobber is a specialized wholesaler who deals almost exclusively in _____________ items. In most instances, he owns the stock of products as well as the racks or shelving units where the items are displayed, and pays the store a percentage of the total dollar sales of the items (usually ____%).
R-134 non-food 30%	S-135	Non-food items (such as health and beauty aids, housewares, soft goods, and toys) are an important part of a retail food store's total sales. Most stores obtain such items from __________ ______________. In some central buying organizations, however, such items are bought directly from the manufacturers, stored in their own warehouses, and supplied to member stores as needed.

R-135 rack jobbers	S-136	Except for some central buying organizations, most stores are supplied with ______________ items by a specialized wholesaler called a _______ _____________. The wagon distributor is another specialized wholesaler who delivers products directly to the store (usually on a c.o.d. basis); however, wagon distributors also serve central buying organizations.
R-136 non-food rack jobber	S-137	d. Wagon distributors Wagon distributors deliver certain products directly to retail stores of all sizes and types (including those belonging to central buying organizations) often on a ________ basis. The wagon distributor is usually not a wholesaler as such, but is a driver/salesman employed directly by the manufacturer.
R-137 c.o.d.	S-138	Products where freshness is extremely important (as in the case of baked goods and dairy products) or which are extremely bulky (as in the case of soft drinks and other beverages) are customarily delivered by __________ ___________________ who are usually driver/salesmen employed by the manufacturers.
R-138 wagon distributors	S-139	Baked goods, dairy products, soft drinks, and other products where freshness is extremely important, and products which are extremely bulky, are often referred to as "direct delivered" items. That is, they are delivered directly to retail stores by wagon distributors who are usually ____________/__________________ employed by the manufacturers.

R-139
driver/
salesmen

S-140 Items such as baked goods, dairy products and soft drinks are often referred to as "____________ ____________" items because they are delivered directly to the retail stores by ____________ ____________ who are usually driver/salesmen employed by the manufacturers. Such items account for roughly 1/6 of a store's total dollar sales.

R-140
"direct
delivered"
wagon
distributors

S-141 Direct delivered items supplied by wagon distributors who are usually ________/____________ employed by the manufacturers account for about ______ (WHAT FRACTION?) of a store's total dollar sales.

R-141
driver/salesmen
1/6

S-142 We have now seen the two major types of central buying organizations and four other types of wholesaling operations: ____________ wholesalers (or jobbers); ____________ wholesalers; ________ ____________, and ____________ ____________. Now, let's look at the final link in the channel of distribution for food products: the retailer.

R-142
independent
produce
rack jobbers
wagon
distributors

THE RETAILER

S-143 Excluding specialty food stores (such as bakeries, fruit stores, and butcher shops), there are about 228,000 retail food stores in America with total annual sales of over 62 billion dollars in 1964. These ____________ (HOW MANY?) retail food stores can be classified by ownership or according to size.

R-143
228,000

1. Classifications of Retail Food Stores by Ownership

S-144 The ____________ (HOW MANY?) retail food stores in America can be classified by ownership as Chain units, Co-op or Voluntary units, and Unaffiliated Independents (those not belonging to a central buying organization). Taken together, they accounted for total sales of over ____ billion dollars in 1964.

R-144
228,000
62

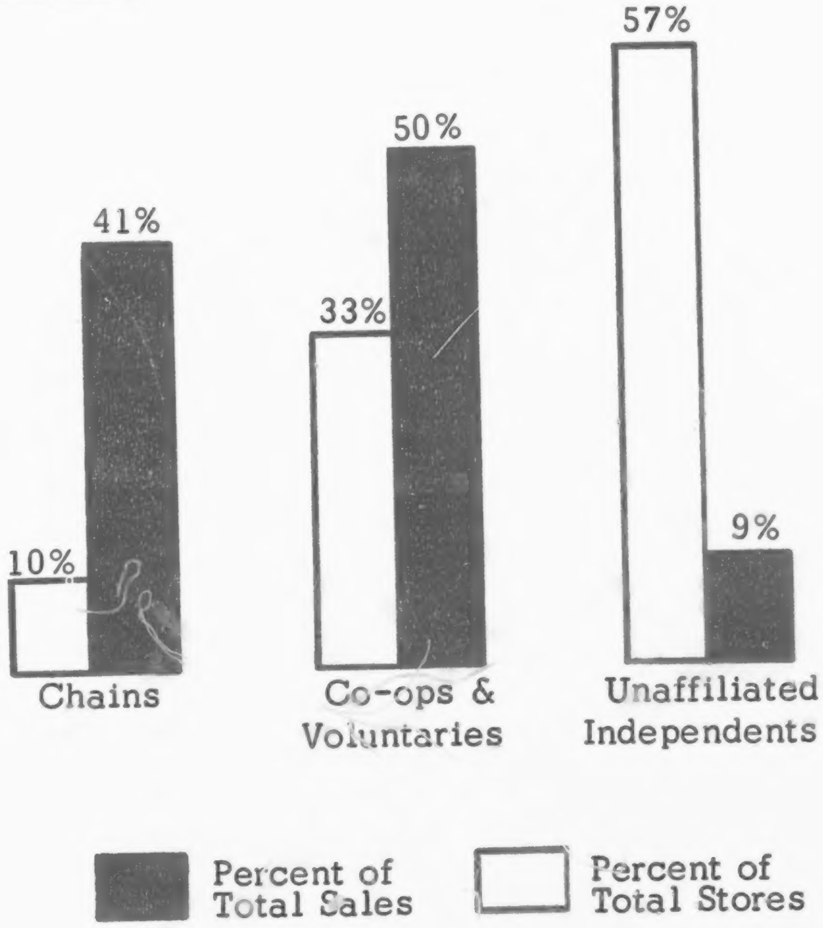
S-145

In 1964, retail food stores had total annual sales of over $___ ___________. If we define a Chain as "11 or more stores owned and operated by the same company that owns and operates the wholesale unit which supplies them", we find there are about 22,000 Chain units (10% of the total), 75,000 Co-op and Voluntary units (33% of the total), and 131,000 Unaffiliated Independents (57% of the total).

R-145
$62 billion

S-146

Of the total number of retail food stores in America (about _____________), 10% are Chain units, 33% are Co-op or Voluntary units, and 57% are Unaffiliated Independents. Of the total sales made by all retail food stores in America (over ____ billion dollars), Chains account for 41% of the total, Co-ops and Voluntaries accout for 50%, and Unaffiliated Independents account for only 9%.



R-146
228,000
62

S-147 Chain units represent ____% of the total number of retail food stores and account for 41% of the total retail food sales. Co-ops and Voluntary units represent _____% of the total stores and account for 50% of the total sales. Unaffiliated Independents represent _____% of the total stores and account for 9% of the total sales.

R-147
10%
33%
57%

S-148 Despite the fact that Unaffiliated Independents out-number any other type of retail food store (57% of the total versus 10% for Chain units and 33% for Co-op and Voluntary units), they account for less than any other type in dollar sales (_____% of the total versus _____% for Chain units and _____% for Co-op and Voluntary units).

R-148
9%
41%
50%

S-149 Enter the correct figures in the blands below:

	% of total stores	% of total sales
Chains:	_______%	_______%
Co-ops and Voluntaries:	_______%	_______%
Unaffiliated Independents:	_______%	_______%

R-149
10% ... 41%
33% ... 50%
57% ... 9%

S-150 Taken together, retail food stores belonging to central buying organizations (Chains, Co-ops, and Voluntaries) represent only ______% of the total number of stores but account for _____% of the total dollar sales, while Unaffiliated Independents represent _____% of the total stores but account for only ______% of the total sales.

R-150
43% ... 91%
57% ... 9%

S-151 Inasmuch as Chains, Co-ops, and Voluntaries constitute the most important segment of the retail food industry in terms of dollar sales (_____% of the total versus _____% for Independents), we will briefly explore the buying practices of these types of retail stores.

R-151
91% (versus)
9%

2. Buying Practices of Chain Units

S-152 Chain units represent _____% of the total number of stores and do _____% of the total dollar sales. Except for "direct delivered" items, the manager of a chain unit generally orders products from the nearest warehouse of his central buying organization.

R-152
10% ... 41%

S-153 As we saw earlier, the products stocked by a Chain's warehouse are ordered from manufacturers by __________ ________________. At regular intervals (usually weekly) each store manager receives a copy of a Stock and Order Book which lists all items currently available at the local wholesale unit and the retail price of each item; these products are referred to as "approved items".

R-153
buying
headquarters

S-154 The names and prices of "approved items" (items stocked by a Chain's warehouse) are listed in the

________ _____ _________ ________

which is issued regularly to all store managers. The manager orders needed products by writing the desired quantities opposite the proper entries and returning it to the wholesale unit.

R-154
Stock and
Order Book

S-155 Items appearing in the Stock and Order Book are referred to as "____________ _________" because they are available at the Chain's wholesale unit. In some Chains, the store manager is not permitted to stock products not listed in the

________ _____ _________ ________

for his class of store, except for "direct delivered" items.

R-155 approved items Stock and Order Book	S-156	To standardize product lines and prices in all their stores, some Chains do not allow a store manager to stock and sell any products other than the "____________ ________" listed in the Stock and Order Book for his class of store. Other Chains, however, do permit their managers this leeway.
R-156 approved items	S-157	In some Chains, the decision on which items are to be stocked in his store rests with the ________ ____________. In other Chains, this decision is made at headquarters, and only those items appearing in the ________ _____ __________ ________ may be stocked (except for "direct delivered" items). The same situation applies with respect to the amount of space devoted to each item, although actual quantities to be ordered are almost always determined at the store level.
R-157 store manager Stock and Order Book	S-158	Depending on the Chain's policy, either the store manager or headquarters decides which items are to be stocked and how much __________ is to be devoted to each item. However, in almost all cases, the ____________ of each item to be ordered is determined by the store manager.
R-158 space quantity	S-159	When a buyer at headquarters and a manufacturer's representative agree to have a special display of a product in each retail unit of the Chain, the required number of cases for the display may be delivered to each store without the store manager's authorization. This is one of the few times when the quantity of each item to be ordered is NOT determined by the ______ ____________.

R-159 store manager	S-160	Similarly, when a buyer at headquarters orders a new item, he may arrange for an initial stock of the item to be delivered to each store without the store manager's authorization. This is another of the rare occasions when the store manager does not decide on the ____________________ of an item to be ordered.
R-160 quantity	S-161	In the case of a Chain, then, either headquarters or the store manager decides which items are to be stocked and how much ____________ is to be devoted to each. Except for distress items or perishables which might become over-ripe if not sold quickly, headquarters always establishes the prices of products. And, in almost all cases, the store manager determines the ________________ to be ordered. The situation is different for Co-ops and Voluntaries.
R-161 space quantities		3. Buying Practices of Co-op and Voluntary Units
	S-162	As we saw, Co-op and Voluntary units are *(independently owned ... centrally owned)*. Thus, members can establish prices, allocate space, and determine quantities to order as they see fit. Although members agree to buy a certain portion of their needs from the wholesale unit, they are also free to buy from other sources and stock whatever items they choose.
R-162 independently owned	S-163	The owner or manager of a store belonging to an Affiliated Buying Group *(is ... is not)* free to buy from whomever he pleases and stock whatever items he pleases. The primary condition of his membership is that he buy a certain percentage of his needs from the Group's ____________________ ____________.

R-163 is wholesale unit	S-164	Although they may buy from other sources, most members of Co-ops and Voluntaries buy the major portion of their needs from the Group's wholesale unit. As we saw earlier, members of a *(Co-op ... Voluntary)* jointly own the wholesale unit, and each member therefore has an equal voice in deciding what items should be stocked by the wholesale unit. In practice, however, authority is usually delegated to the manager of the wholesale unit.
R-164 Co-op	S-165	Members of a Co-op usually delegate authority for selection of products to the ____________ of the wholesale unit who, in turn, is answerable to the board of directors composed of Co-op members.
R-165 manager	S-166	In a Co-op, the choice of items to be stocked by the wholesale unit is determined by the ____________ of the wholesale unit who is directly answerable to the ___________ of _________________ which is composed of members of the organization. In a Voluntary Group, however, members can influence the decision of which items should be stocked only in an indirect way.
R-166 manager board (of) directors	S-167	The owner or manager of the wholesale unit in a Voluntary Group decides which items to stock. Unlike members of a Co-op, the members of a Voluntary Group *(do ... do not)* have a direct say in this decision, although they may request that certain items be stocked.
R-167 do not	S-168	While they may request that the wholesale unit stock certain items, members of a ____________ Group usually cannot dictate which items should be stocked by the wholesale unit.

R-168
Voluntary

S-169 We have now seen how retail food stores are classified by ownership, and how buying practices differ for Chains, Co-ops, and Voluntaries (which together comprise _____% of the total number of stores and account for _____% of the total dollar sales). Now, let's see how stores are classified by size.

R-169
43% ... 9%

4. Classifications of Retail Food Stores by Size

S-170 Although different experts use different criteria in classifying the ____________ (HOW MANY?) retail food stores by size, the following are fairly widely used definitions:

- Supermarkets -- annual sales of over $500,000; departmentalized, with at least the grocery department on a self-service basis.
- Superettes -- annual sales from $150,000 to $500,000; departmentalized, with at least the grocery department on a self-service basis.
- Small stores -- annual sales less than $150,000.

R-170
228,000

S-171 The three classifications of retail food stores by size are: ____________________ (annual sales over $500,000); ____________________ (annual sales from $150,000 to $500,000); and ____________________ (annual sales under $150,000). The two largest classifications are departmentalized, with at least the grocery department on a ________-________________ basis.

R-171
supermarkets
superettes
small stores
self-service

S-172 Of the total 228,000 retail food stores in America, approximately 14% are supermarkets, 12% are superettes, and 74% are small stores. Supermarkets have annual sales of ________________; superettes have annual sales of ____________________; and small stores have annual sales of ____________________.

R-172
over $500,000
$150,000 to
$500,000
under $150,000

S-173 About 14% of the 228,000 retail food stores in America are supermarkets having annual sales of __________________. About 12% are superettes having annual sales of ______________________. And, about 74% are small stores having annual sales of __________________________.

R-173
over $500,000
$150,000 to
$500,000
under $150,000

S-174 A retail food store with average sales of $2,000 per week is classed as a ____________________; about _____% of the total stores are in this class. A store with average sales of $7,000 per week is classed as a ______________________; about ______% of the total stores are in this class. And, a store with average sales of $20,000 per week is classed as a ______________________; about ______% of the total stores are in this class.

R-174
small store ...
74%
superette ...
12%
supermarket ...
14%

S-175 Supermarkets comprise about _____% of the total number of retail food stores, but account for 70% of the total dollar sales. Superettes comprise about _____% of the total stores, but account for 13% of the total dollar sales. Small stores comprise about _____% of the total stores, but account for only 17% of the total dollar sales.

R-175
14%
12%
74%

S-176 Supermarkets (stores with annual sales of ____________________) comprise _____% of the total number of stores but do 70% of the total dollar sales. Superettes (stores with annual sales of ____________________) comprise about _____% of the total stores but do 13% of the total sales. Small stores (stores with annual sales of ____________________) comprise _____% of the total stores but do 17% of the total sales.

R-176
over $500,000 ...
14%
$150,000 to
$500,000 ... 12%
under $150,000 ...
74%

S-177 Enter the correct figures in the blanks below:

	% of total stores	% of total sales
Supermarkets	_____%	_____%
Superettes	_____%	_____%
Small stores	_____%	_____%

R-177
14% ... 70%
12% ... 13%
74% ... 17%

S-178 Although supermarkets and superettes together represent only 26% of the total number of stores, they account for a total of ____% of the dollar sales (____% for supermarkets and ____% for superettes). Small stores, on the other hand, represent 74% of the total stores, but account for only ____% of the total dollar sales.

R-178
83% (70% and 13%)
17%

S-179 Although supermarkets comprise only ____% of the total number of stores, they account for ____% of the total dollar sales in the retail food industry. In the later Units of this series, most of our attention will be focused on supermarkets and their operation, since supermarkets represent the most important segment of the retail food industry in terms of dollar sales.

R-179
14% (of stores)
70% (of sales)

END OF SECTION II

III. BUYING PRACTICES AT THE WHOLESALE LEVEL

As you learned in Section II, 43% of the retail grocery stores in America, accounting for 91% of the total dollar sales, belong to a central buying organization -- either a Chain, a Co-operative, or a Voluntary Group. The wholesaling function and buying for these stores is handled through the buying headquarters of the central buying organization.

In this Section, we will examine the techniques of buying used at buying headquarters. However, it should be noted that many of the points mentioned here also apply to other buyers at the wholesale level.

IMPORTANCE OF THE BUYING FUNCTION

A company's buying practices are reflected in its reputation, profits, and over-all success. Proper buying demands experience and a knowledge of brands and market conditions, and is necessarily aimed at:

- Satisfying Customers. Of obvious importance is the need to have available in sufficient quantity on the retail shelves the brands and sizes the consumer wants. Nothing upsets a shopper more than to find a needed product out-of-stock, or to be frustrated in her desire to try a new item because her favorite store has not yet received an initial supply of the item. One important function of the buyer in a central buying organization, then, is to see that products desired by customers are stocked at the wholesale unit and made available to member stores for delivery on short notice.

- Meeting Competition. The buyer meets competition by ensuring that products ordered into the wholesale unit suit the needs and wants of consumers, and can be priced competitively at the retail level.

- Minimizing Inventory Investment. By fitting the inventory of each item to the product's turnover, buyers avoid tying up money in excess inventory ... a situation which might detour capital needed to open new retail units or to expand present facilities.

- Maximizing Company Profits. Wise buying demands that merchandise is purchased at the lowest prices. While the buyer cannot haggle with a manufacturer's representative, he can increase profits by taking advantage of the promotions and special allowances offered by many manufacturers. Further, in contracting for private label goods, he can "shop around" for the best deal.

BRAND POLICIES

The relative importance of manufacturer brands and controlled or private label brands varies tremendously from one store or central buying organization to another, depending on individual company policy. For example, controlled brands may account for anywhere from 10% to 40% or more of total dollar sales in a particular store or group of stores.

Manufacturer brands and controlled brands both offer certain advantages. Those in the industry who favor manufacturer brands usually cite the following advantages:

- They are well-known to shoppers.
- They are supported by the manufacturers' advertising and promotion.
- They lend prestige to the store.
- They serve as effective traffic builders.
- They provide rapid turnover and profit.
- The manufacturer often provides price protection.
- The manufacturer guarantees the consistent, standardized quality of the product.

Others in the industry who favor private label goods usually cite the following advantages:

- They have a lower selling price and higher margin.
- They build store loyalty.
- They provide greater variety for shoppers.
- They are not subject to competitors' price-cutting.
- They provide greater flexibility of merchandising activities.
- They offer continuity of label.
- They provide opportunity for the retailer to set himself apart from competition.

Differences of opinion regarding private label versus manufacturer brands have existed for years at all levels in the food industry. In the final analysis, however, each store or buying group must interpret the above advantages in relation to its own operation and arrive at its own decision as to how deeply it will get involved in private label business.

NEW ITEM SELECTION

To maintain his position in the food industry, the manufacturer must carry on continuous research to develop new products. After creating a new brand, he organizes a marketing campaign which he hopes will gain acceptance of these new brands by buyers at headquarters and subsequently by consumers.

It is said that, every week, buyers are confronted with at least one hundred new products or new sizes of established products. Of these, only a few (about 10%) prove successful. Obviously, the buyer must exercise shrewd judgment in deciding which of the thousands of new items per year he should stock and make available to retailers.

The fickleness of the typical consumer compounds the buyer's problem of deciding which new items to stock. The consumer hears about new products through the advertising media and is encouraged to buy. She expects to see these items on the shelves of her favorite store and, if she does not, she may go to a competitive store in hopes of finding them there. Thus, the store which does not stock the "hot" new item loses face ... and the competitor gains a customer.

To save the buyer time in acquiring information about a new product, the manufacturer's representative is required to fill out a "New Item Information Form" and list important aspects of the product such as brand name, cost, markup, merchandising activities, allowances, and so on. This form helps the buyer make a decision about the product.

In considering new items, the buyer usually takes into account:

- The item's customer appeal. While this is a very subjective consideration, the buyer must try to determine the appeal of the product, the package, and the promotional and advertising activities which accompany the new product and which influence consumers to buy at the point of purchase.

- The potential turnover and profit. Rapid turnover is essential to an item's profitability and to a store's success. Thus, only the products which have enough popular appeal to move rapidly off the retail shelves should be stocked. In this, the buyer must consider not only the potential sales to "first time" users, but also the number and frequency of repeat sales.

- The manufacturer's reputation. The manufacturer's "name" and his past success in developing and marketing new brands is an indication of the potential sales success of the new item under consideration.

- The complementary aspect of the item. Does the new product fit in with other products stocked? While it is occasionally desirable to stock items that are entirely different from other products in the store, any new item stocked should generally suit the general pattern of products shelved in a particular section of the store. Also, the promotional possibilities for "tie-ins" with present products in other sections should be considered.

Headquarter's ultimate decision to buy is largely determined by the considerations mentioned above. However, other steps may also be taken to supplement conclusions arrived at above and facilitate a sound final decision:

- Customer Surveys. The customer survey usually involves a questionnaire designed to reflect consumer wants. If correctly put together, such a questionnaire can be a valuable source of information to the buyer at headquarters regarding the probable consumer acceptance of specific new items.

- Customer Inquiries. Store managers can get a good idea of the demand for a new product from requests by the customer. If managers regularly submit a list of these requests to the buyer, this can greatly aid the buyer in his new item selection.

- Competitive Activity. As previously mentioned if competitive stores are already stocking an item, this may give the buyer an idea of the item's potential appeal to customers.

- Store Tests. A store test involves buying a small quantity of the new product and watching its movement in a few selected stores. The stores chosen for these tests should provide a wide cross-section of customers to indicate the general appeal of the product. This is a useful approach in determining the success of a new item, but it delays actual stocking of the item and is not necessary for extensively advertised brands of leading manufacturers with outstanding records of product development.

Many central buying organizations have a buying committee which makes a final decision concerning new products to stock. This committee is usually made up of one or more buyers, a merchandising manager, and advertising manager, and a sales manager. While the cost of maintaining such a committee may seem high, the judgment concerning purchases of new items is removed from the hands of one person and may therefore prove more reliable.

RE-ORDERING PROCEDURES

For every product on the shelves, the buyer must determine whether or not sales or anticipated demand justifies re-ordering. There are a number of factors which he must weigh, including:

- Warehouse Inventory Records. These records provide one of the best ways of checking turnover and consumer wants. A record is kept which indicates current inventory, stock on order, and minimum stock of each item. By checking these records, the buyer gets an idea of the over-all movement of each brand, not the movement at any particular retail store. Thus, if Brand A shows little movement of warehouse stock over a period of time, this means that its general acceptance by the public is small. Of course, the buyer must also check the margin on such items since a very high margin may justify ordering despite low turnover.

- Seasonal demand. The buyer must be aware of the month-by-month or seasonal change in demand for each item, and must anticipate the change. For example, hot cereals are usually slow sellers during summer months, but a cold snap in early fall can stimulate sales tremendously; unless the buyer provides for such a possibility by ordering early, the warehouse may be sold out before he knows it.

- Manufacturers' promotions and deals. To encourage the buyer to buy in large quantities, many food processors offer special deals on certain goods. For example, the buyer may be offered five cases free with an order of 100 cases. While this seems like a profitable exchange, it is profitable only if the product's turnover actually justifies such an order. Otherwise, the cost of maintaining the extra inventory may be more than than the value of the free cases.

The decision to re-order or discontinue a product is not always easy. While the profit from the item's sales is the most important consideration, it is not the only one. The buyer may want to keep items in spite of a low turnover in order to round out the selection in a certain section of the store. Or, the uniqueness of a product and the prestige it lends the store may compensate for its slow movement and low dollar profit.

LEGAL ASPECTS OF BUYING

The Robinson-Patman Act, a federal law enacted in 1936, is probably the most important legislation affecting the buyer-seller relationship, particularly insofar as price is concerned. This act was designed to control selling practices which discriminated against the smaller retail organizations.

Simply stated, the Robinson-Patman Act equalizes the cost of products for all buyers, regardless of size. The manufacturer can offer discounts or a lower-per-case price for large-volume purchases, but the difference must represent the manufacturer's actual savings in handling and processing a large order compared to a small one, and must be available to all retailers.

SELF-QUIZ

Self-Study Unit #2

This Self-Quiz is not intended as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. A manufacturer who owns or otherwise controls his sources of supply for raw materials is usually referred to as a(n) ______________________ company. (I-2)

2. (TRUE or FALSE) Basically, the wholesaling function consists of buying products in large quantities from a number of different manufacturers, storing or warehousing the products, and reselling the products in small quantities to many different retailers. (I-4) ________

3. (TRUE or FALSE) Most food producers sell their products direct to food processors. (II-1, S-2) ________

4. (TRUE or FALSE) It is not unusual for a large producer of raw food products who sells his products to a nearby food processor to make a contract and agree on a price before the products are ready for market. (II-1, S-4)

   ____

5. (TRUE or FALSE) Central markets for raw food products are generally located near producers. (II-3, S-12) ________

6. (CIRCLE THE CORRECT ANSWERS) Local market middlemen buy raw food products from (a few ... many) producers and ship them in (small ... large) quantities to central market or, in some cases, to food processors. (II-6, S-22)

7. (CIRCLE THE CORRECT ANSWERS) Central market middlemen buy raw food products from local market middlemen and/or from (small ... large) producers and re-sell them in (small ... large) quantities to food processors. (II-7., S-24)

8. (TRUE or FALSE) The presence of central market middlemen in the channel of distribution for food products reduces the amount of storage space and working capital that a food processor has to tie up in inventory. (II-8, S-29)

__________.

9. The three major types of local market middlemen: (a) independent buyers; (b) producers' co-operative associations; and (c) commission agents. Mark "a", "b", or "c" opposite the statements below which characterize each type. (II-9 to II-12, S-32 to S-41)

____ Buy from producers on behalf of central market middlemen or food processors.
____ Buy raw food products in their own name in hopes of re-selling them at a profit.
____ Are organizations of local producers which buy and sell raw food products.
____ Distribute profits to members in the form of patronage dividends.
____ Are paid a commission on the value of products bought.

10. The type of middleman at the central market which corresponds roughly to:

- the independent buyer at the local market is the ________________ ________________ . (II-12, S-42)
- the producers' co-operative association at the local market is the ________________ ________________ . (II-13, S-45)
- the commission agent at the local market is the ________________ ________ . (II-13, S-46)

11. Three other types of central market middlemen are: (a) brokers; (b) car-lot wholesalers; and (c) auctioneers. Mark "a", "b", or "c" opposite the statements below which characterize each type.

____ Buy in carload quantities and sell at auction to various types of buyers. (II-15, S-56)
____ Do not generally obtain title or possession of the products they sell. (II-14, S-49)
____ Buy in carload shipments and break them up into smaller lots for sale to retailers and wholesalers. (II-15, S-54)
____ Generally deal in citrus fruits. (II-15, S-56)
____ Generally deal in produce -- fresh fruits and vegetables. (II-14, S-53)

12. Give the three classifications of food processors: (II-16, S-60)
a. ______________________________ manufacturers
b. ______________________________ manufacturers
c. ______________________________ manufacturers

13. (TRUE or FALSE) Food processors generally employ different buyers to handle the purchasing of raw food products and industrial goods. (II-18, S-68) ________

14. A food processor's purchasing and production must be closely attuned. The long-range plan showing what products will be made and what materials will be needed -- which serves to guide the purchasing and production operations -- is called the ______________ ______________ . (II-19, S-73)

15. (TRUE or FALSE) Since some food products must be processed shortly after harvesting, the production run for these items depends on when the crop is harvested. (II-21, S-79) ________

16. Give the five major elements or phases of marketing processed food products: (II-22, S-81)
a. ______________________
b. ______________________
c. ______________________
d. ______________________
e. ______________________

17. (TRUE or FALSE) Central buying organizations consist of a wholesaling operation and a group of retail stores which are related by virtue of common ownership or some sort of working agreement. (II-28, S-104) ________

18. (TRUE or FALSE) Retail food stores which are members of Affiliated Buying Groups (Co-ops and Voluntaries) are all owned and operated by the same person or company. (II-30, S-113) ________

19. (TRUE or FALSE) The wholesale unit in a Co-op is owned by the members themselves, while the wholesale unit in a Voluntary Group is owned and managed independently of the member stores. (II-31, S-116) ________

20. (TRUE or FALSE) Independent wholesalers primarily sell to Unaffiliated Independents, or retailers who do not belong to a central buying organization. (II-32, S-123) ________

21. The rack jobber is a specialized wholesaler who services retail food stores of all types and sizes. What products does the rack jobber handle? (II-34, S-131) ____________________ items

22. Taken together, Chains and Affiliated Buying Groups (Co-ops and Voluntaries) comprise ____% of the total number of retail food stores and account for ____% of total retail food store sales. (II-38, S-146)

23. (TRUE or FALSE) In a Co-op, the manager of the wholesale unit usually decides which items to stock; however, he is accountable to a board of directors composed of members of the co-op. (II-43, S-165) _________

24. Supermarkets comprise only ____% of the total number of retail food stores in America, but account for about ____% of the total retail food store sales. (II-45, S-175)

25. (TRUE or FALSE) In deciding whether or not to stock a new item, a buyer for the wholesale unit of a central buying organization considers only how much profit per unit the item will provide. (III-3) _________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 3

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Supermarket Today

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #3

In Self-Study Unit #2, we saw how food products pass from the producer to the retailer and, ultimately, to the consumer. We also studied about the buying practices at the wholesale level in the channel of distribution for food products.

In this Unit, we will concentrate on the retail food store itself -- specifically, the supermarket. First, we will take a look at the major factors to be considered in the establishment of a new supermarket. Next, we'll consider the over-all operation and organization of a typical supermarket, to provide a broad view of the relationship between the various departments in the store. In later Units, we'll then focus our attention on the operation of each individual department.

Specifically, in this Unit, we will study:

Section I. ESTABLISHING A NEW SUPERMARKET

- A. Selecting a Site
- B. Estimating Costs
- C. Holding the Grand Opening

Section II. PROFILE OF A TYPICAL SUPERMARKET

- A. Vital Statistics of the "Average" Supermarket
- B. Major Departments and their Relative Importance

Section III. ORGANIZATION OF A TYPICAL SUPERMARKET

- A. Single-Line Type of Store Organization
- B. Dual-Line Type of Store Organization
- C. The Supermarket Manager

I. ESTABLISHING A NEW SUPERMARKET

As we saw in Unit #1, a great many new food stores have been built since the end of World War II in 1945. In 1963 alone, 3,950 new retail food stores were constructed -- 1,600 Chain units and 2,350 Independents. Over half (2,100) were supermarkets; for these, the total cost of the buildings, permanent fixtures, and equipment amounted to over one billion dollars ... or an average capital expenditure of almost $500,000 per supermarket!

Obviously, a person or company does not decide to invest half a million dollars for a new store on the spur-of-the-moment. A great deal of planning and study are first undertaken. Here, we will look at some of the major considerations in the establishment of a new supermarket ... the first of which is the selection of a site for the store.

SELECTING A SITE

For any retail venture, a good location is a pre-requisite for success. Possible locations for supermarkets include:

- Central shopping area -- the main business district (or "downtown" section) of a city or town where major department stores and other retail stores and offices are concentrated, and where public transportation facilities converge.
- Secondary shopping areas -- smaller concentrations of stores and offices served by public transportation.
- Neighborhood areas -- locations convenient to established residential neighborhoods, usually on a main thoroughfare.
- Highway locations -- locations along a main road, usually outside the boundaries of a town or city.
- Shopping centers -- groups of retail stores designed and built as a unit and sharing the same parking facilities. Classifications by size are:

  -- Regional centers have 40 or more stores, at least two supermarkets.

  -- Medium centers have 25 to 40 stores, one or two supermarkets.

  -- Neighborhood centers have 10 to 25 stores, one supermarket.

Of the 2,100 new supermarkets opened in 1963, over 1,400 (or 66%) were located in shopping centers.

Let's assume that YOU are planning to open a new supermarket -- how would you go about deciding where to build it? Chances are, you'd first evaluate the trading area in which you considered locating your store; then, you'd choose a specific site from among the available sites in that area.

1. Evaluate the Trading Area

A "trading area" is the area from which a store draws its customers. In a city or large town, the trading area might be a single neighborhood; in a smaller town, it might be one part of town or even the whole town; in a rural area, it might include two or three small towns nearby.

In trying to determine whether or not to build a new supermarket in a particular trading area, there are a number of points to be taken into account:

- Number of people in the trading area. Food stores in central shopping areas (and, to some extent, those in secondary shopping areas) rely heavily on "transient" trade -- people who do not live in the immediate vicinity, but work nearby or come downtown mainly to do other shopping. For other types of locations, however, the objective should be to locate the new supermarket near a large number of family buying units ... or, in undeveloped areas where extensive new construction can be expected, near a potentially large number of family buying units.

  There is no set rule as to HOW MANY families a store's trading area should contain. Within the industry, various figures are often used. Since not every family in the trading area will shop at a given store, and since many people regularly shop more than one store, it's generally agreed that the trading area should contain at least twice as many families as are actually needed to support the store...depending, of course, on the type of location, competition, and many other factors.

  In determining the size of the trading area from which a given store can expect to draw its customers, the following rules-of-thumb can be applied:

  -- In urban locations, 60% to 90% of the customers live within one mile of the store.
  -- In suburban locations, maximum trading area is 5 miles, with the majority of customers living within 3 miles of the stores.
  -- In rural locations, maximum trading area is 20 minutes driving time, with the majority of customers within 10 minutes of the store. (This also applies for regional shopping centers.)

  The average new supermarket built in 1963 draws its customers from a trading area of about 30,000 people.

- Income level of people in the trading area. Families with different income levels have different living habits and buy different types and quantities of food products. For example: as income increases, people tend to eat more, entertain and eat out more often, buy more and better cuts of meat, and use fewer left-overs.

  Recent store tests indicate that sales of higher-priced items are greater in stores which principally serve middle- to high-income families than in those which mainly serve low- to middle-income families. For example: unit sales of meat were 25% greater, frozen foods 52% greater, and baked goods 90% greater in stores serving higher income families. On the other hand, unit sales of dairy products were 26% lower, detergents 47% lower, and baking mixes 38% lower. In general, sales of manufacturer brands (compared to controlled or private label brands) were also greater in stores serving middle- to high-income families.

  In short -- the higher the income of families in a given trading area, the greater the amount of money spent for food ... a fact which has a bearing on the potential success of any proposed new supermarket.

- Availability of sites in the trading area. The number, size, and cost of available sites in a trading area has a bearing on the advisability of locating a new supermarket there. For example: in most towns and cities, the heart of the downtown section is virtually ruled out because space is generally scarce and land costs are high; as a result, available sites are often small, with limited space for customer parking. However, at the fringe of the downtown section, the space problem is usually less acute and there are more vacant sites available; as a result, store size and parking facilities can be larger.

- Distance from normal sources of supply. The distance between a particular trading area and the sources of supply may affect the decision whether or not to locate there. This is especially true for a Chain which maintains its own wholesaling operation -- it would generally be uneconomical for the warehouse truck to travel a long distance in order to service a single store in some remote area.

- Competition in the trading area. Here, the first thing to consider is the present competition -- the number, size, and quality of existing food stores in the trading area. And, companies with other stores in operation elsewhere would also have to consider how well those stores have fared against the same competitors in those areas. Finally, the availability of other likely sites in the trading area for possible future competition must be taken into account.

  The average new supermarket opened in 1963 faced competition from two to three other supermarkets.

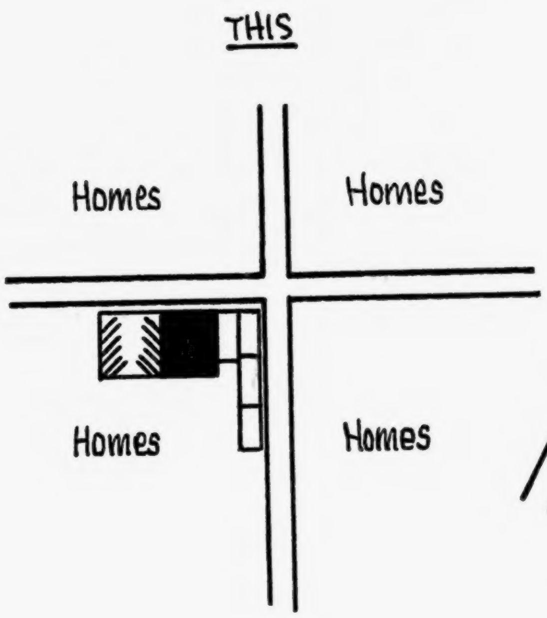
If, after considering all these factors, the trading area still appears "right" for a new supermarket, the next step would be to choose a specific site in the area on which to build it.

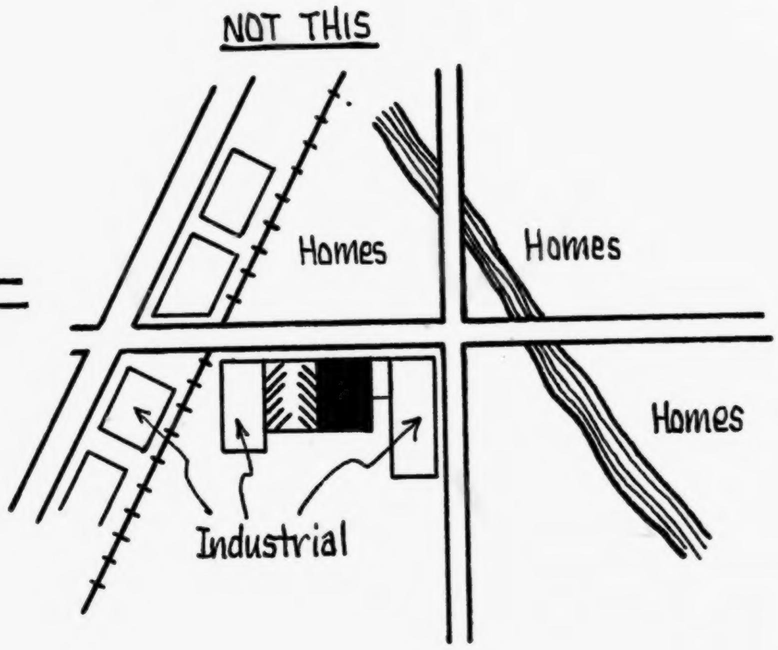
2. Choose a Specific Site

Assuming there are a number of sites available in the trading area you've selected, how do you make a choice between them? Here are some factors to consider about each of the potential sites:

- Accessibility of the site. Generally speaking, a location at or near an intersection of two or more major thoroughfares is most desirable for a retail store ... assuming that the traffic flows freely at the intersection, and is not a "bottleneck". The reason, of course, is that customers must be able to reach the store quickly and easily from all parts of the trading area.

  Particularly in urban centers, it is important to find a site surrounded by potential shoppers, instead of only on one or two sides. Thus, it is usually wise to avoid a site adjacent to a railroad embankment, a river or stream, an industrial development, or an expressway ... even if the site is conveniently located on a major thoroughfare which spans the obstacle. People living near railroads, rivers, and expressways tend to do their shopping at stores on the same side (although they may have to travel further) rather than cross over to shop at stores on the other side. Thus, although these obstacles may not actually prevent access to a store, they often serve to cut off people in parts of the trading area.





- Volume of traffic passing the site. Until rather recently, it was commonly felt that a retail store succeeded in direct proportion to the amount of pedestrian and auto traffic passing its doors. Lately, opinion has shifted on this point, largely due to the mobility of shoppers; a heavy-traffic location is not a guarantee of success because most people can and do drive right past one or more other supermarkets on their way to their favorite store. Nevertheless, a supermarket situated on a main thoroughfare where there is a good volume of traffic will gain added sales from people outside the trading area who are just passing by en route home or elsewhere and who stop to pick up a few items.

- Size of the site. Obviously, the suitability of any potential site for a new supermarket depends on the size of the store to be built and the space needed for adequate parking facilities. As far as the building itself is concerned, the following rule-of-thumb is widely used:

... Total store size in square feet = anticipated weekly sales volume ÷ $2.

The $2 figure represents the average weekly sales per square foot of total store area, and is an industry-wide average. Thus, a store capable of doing $2,000,000 in sales annually (or $39,000 weekly) would require a total of 19,500 square feet ($39,000 ÷ $2).

Another industry-wide average that is frequently used in planning a new supermarket is:

... Of the total store area, approximately 2/3 is devoted to selling space, 1/3 to backroom and check-out.

Thus, for a supermarket with an anticipated annual sales volume of $2,000,000, roughly 13,000 square feet would be devoted to selling space (19,500 x 2/3). Thus, weekly sales per square foot of selling space would amount to $3, which is also an industry-wide average.

To illustrate how closely the above rules-of-thumb are applied in actual practice, we can look at the averages for the 2,100 new supermarkets opened in 1963.

-- Sales averaged $37,600 weekly or $1,955,200 yearly.

-- Total store area averaged 19,900 sq. ft. with about 13,000 sq. ft. (or 65% of total store area) devoted to selling space.

-- Weekly sales averaged $1.90 per sq. ft. of total store area, and $2.87 per sq. ft. of selling space.

Next, to estimate the amount of space required for customer parking, the following rule-of-thumb is often used:

> ... Parking lot for a store where all customers shop by auto should be 4 to 5 times as large as the store's selling space; for a store with a large "walk in" business, parking area might be only 2 to 3 times as large as selling space.

Thus, assuming that all customers shop by auto, the parking lot for a store containing 13,000 sq. ft. of selling space would be between 52,000 and 65,000 sq. ft. The size of the site required for a 19,500 sq. ft. supermarket with anticipated sales of $2,000,000 annually, then, would be from 71,500 to 84,500 sq. ft.

Assuming that all these points have been considered and that a desirable site has been found; how much would it cost to go ahead with plans for a new supermarket?

ESTIMATING COSTS

In estimating the cost of a new supermarket, the following must be considered: the land and building; the equipment (or store fixtures); and the initial inventory.

1. Land, Building and Equipment

Many operators prefer to rent the land and building in order to reduce the capital investment and minimize the risk involved in opening new stores in untried locations. Other operators prefer to buy the land and build the stores to their exact specifications. Still other operators try to combine the benefits of both rental and purchase: they select a location, buy the land, and build their own stores; then, they sell the land and store under a "lease-back" arrangement whereby they can guarantee their occupancy of the store.

- Rental. Rental of a supermarket from a shopping center developer or a real estate investor is generally covered by a long-term lease --often 10 or 20 years, with options to renew for even longer periods. The amount of rent charged, as set forth in the lease, may consist of:

  -- A flat monthly rental; or
  -- A stated percentage of net sales; or
  -- A minimum guaranteed monthly rental, plus a certain percentage of sales above a stated amount. (This is the most common arrangement.)

The rental expense for a supermarket amounts to about 1.50% of sales. This is an industry-wide figure; for a given store, the amount may be somewhat greater or lower than this. On the average, then, annual rent for a $2,000,000-a-year supermarket would be about $30,000!

In the vast majority of cases, store fixtures, (shelving units, refrigerated cases, etc.) are <u>not included</u> in a rented supermarket, and the store operator must buy his own equipment. The cost of equipping a $2,000,000-a-year supermarket is upwards of $100,000 ... a considerable investment in itself!

- <u>Purchase</u>. The cost of building a new supermarket is estimated at about $11 per square foot of total store area. When the cost of land, store equipment, and permanent fixtures for the building are included, the amount comes to about $24 per square foot of total store area. For a 19,500 square foot store capable of doing $2,000,000 per year in sales, this would be:

```
   19,500 sq. ft.
    x $24
 $470,000
```

Paving and lighting the parking lot runs another $25,000 or so, bringing the total capital investment to $495,000, exclusive of opening inventory.

2. <u>Opening Inventory</u>

A rule-of-thumb often applied in the retail food industry is that store inventory averages 2 to 3 times weekly sales. For a new supermarket with anticipated sales of $2,000,000 per year (or $39,000 per week), the inventory needed before the store can open its doors to customers for the first time would cost between $78,000 and $117,000.

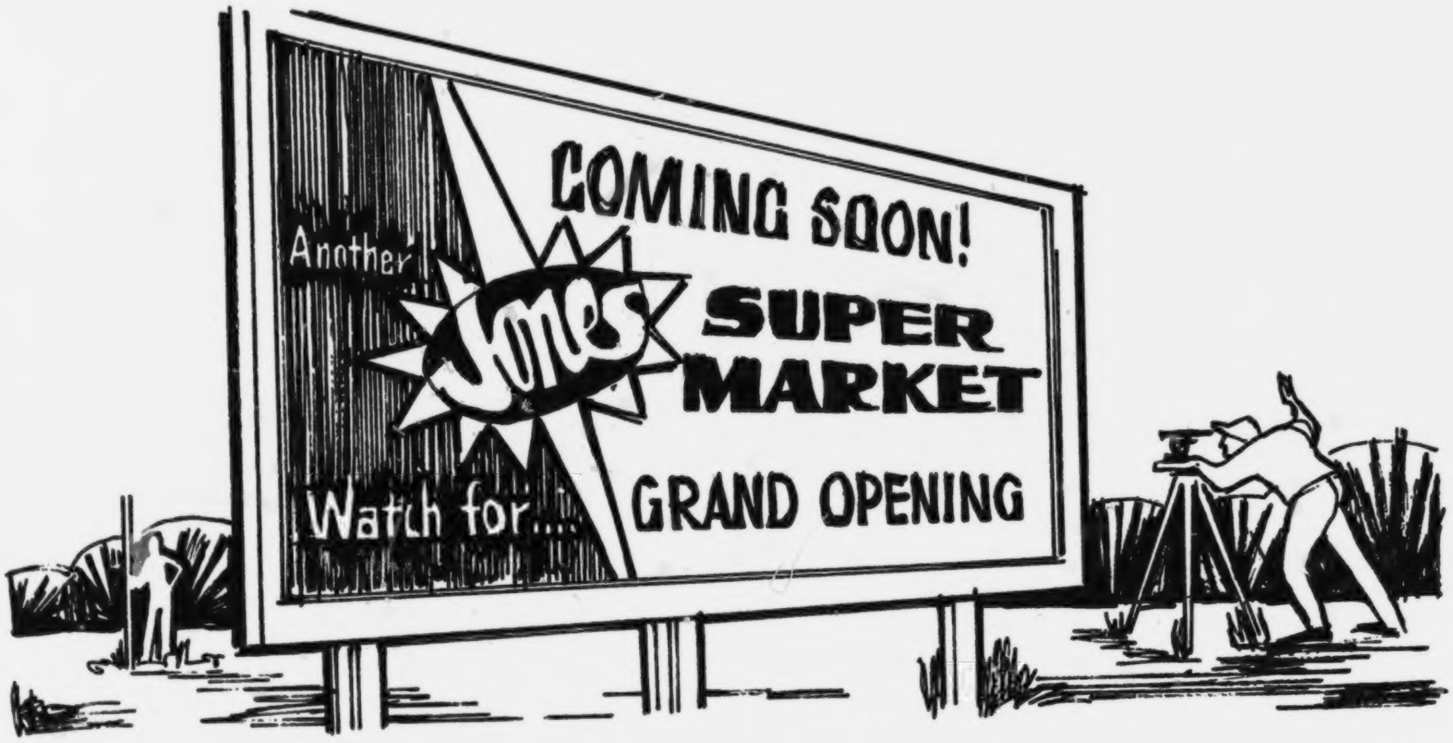
Thus, we see that the total investment required to build and stock a new supermarket with an anticipated sales volume of $2,000,000 per year would be around $600,000! ... $495,000 for land, building, fixtures, equipment and parking lot; and $78,000 to $117,000 for initial inventory.

Obviously, anyone investing that amount of money in a new supermarket, would want to be sure that the store got off to a flying start by holding an impressive Grand Opening.

HOLDING THE GRAND OPENING

The Grand Opening of a new supermarket is a gala event intended to capture the interest of people in the trading area, create a favorable first impression with customers, and produce immediate sales for the store.

The Grand Opening is usually planned far in advance. Even before construction of the store begins, a signboard at the site can be used to prepare potential customers for its coming:



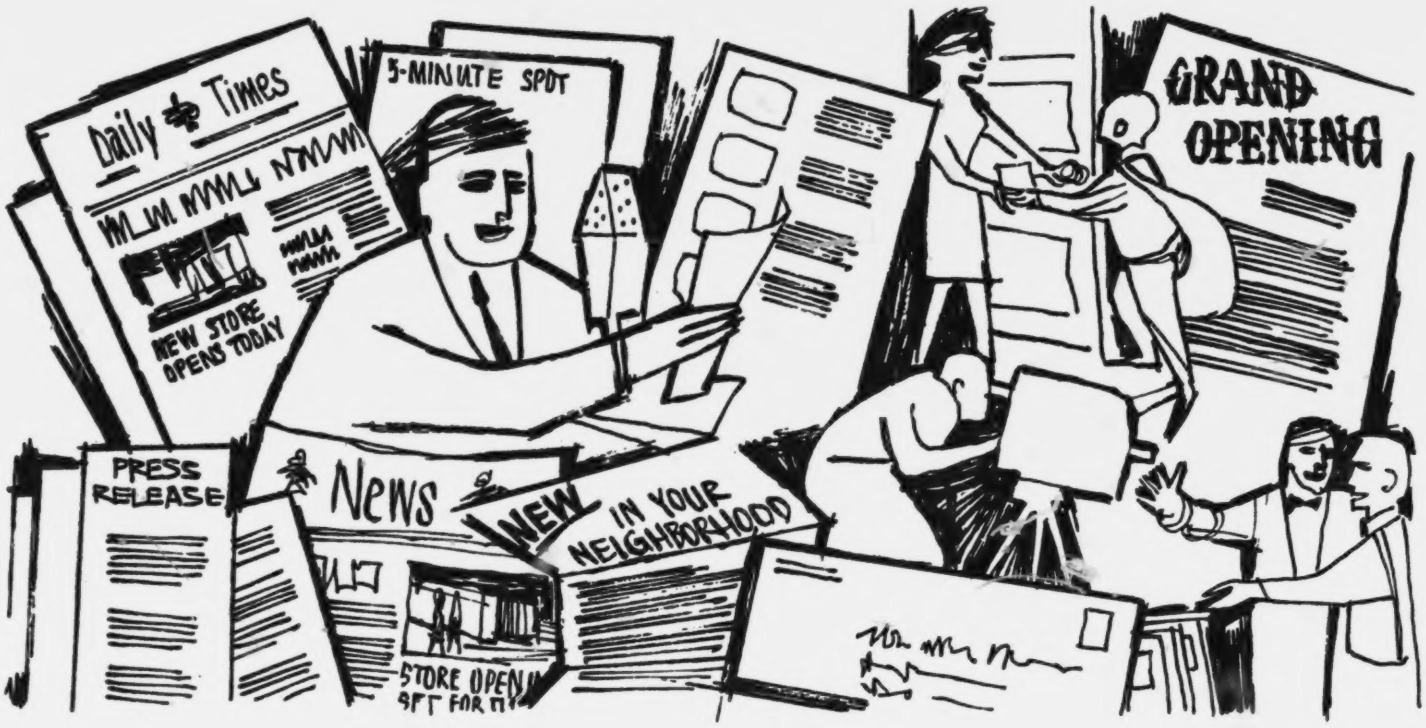
As soon as construction is far enough along to permit forecasting a completion date, the bottom line can be altered to read "Watch for the Grand Opening on or about January 20". Then, as the building is nearing completion, a definite date can be inserted so people passing the site will note the date of the store's opening, whether they plan to attend the Grand Opening or not.

Actually, in most cases, it is desirable for the store to open for business a few days before the Grand Opening celebration. In this way, inexperienced store personnel can develop some degree of skill in their jobs before the busy days of the Grand Opening. Also, if the store is operating a few days in advance of the Grand Opening, there is opportunity to work out some of the "bugs" that invariably crop up in any new retail business. Thus, the store staff will be better able to provide efficient service for the large crowds at the Grand Opening, and thus ensure greater customer satisfaction.

Most new supermarkets plan their Grand Opening for Friday and Saturday, the two busiest food-shopping days of the week. Some also include Thursday, another important shopping day. These three days account for over 75% of the average supermarket's weekly dollar sales!

If at all possible, the Grand Opening should be scheduled to coincide with customers' payday. Most "blue-collar" (or hourly) workers are paid weekly on Thursday or Friday, while most "white-collar" (or salaried) employees are paid semi-monthly on the 15th and last day of the month.

Advance publicity is a major factor in the success of a Grand Opening. Besides signboards at the site, various other media are often employed to herald the Grand Opening:


Daily Times
NEW STORE OPENS TODAY
5-MINUTE SPOT
GRAND OPENING
PRESS RELEASE
News
NEW
IN YOUR NEIGHBORHOOD
STORE OPEN SET FOR

Publicizing the Grand Opening is far more effective and more fruitful if special events are planned. For example: local newspapers are more likely to devote free space to stories and pictures about the Grand Opening if some one or more celebrities will be on hand -- the mayor or other local civic officials, stars of the entertainment or sports world, etc.

During the Grand Opening, numerous devices can be employed to gain attention and stimulate interest in the new supermarket:

- Sound trucks, sky-writers, parades, searchlights, etc.
- Free gifts, product samples, sweepstakes or drawings, etc.
- Special store decorations and product displays
- Manufacturers' promotions
- Demonstrations (cooking, cake decorating, etc.)
- Special exhibits (historical items, animals, etc.)
- Entertainment (celebrities, circus acts, etc.)
- Children's activities (clowns, free pony rides, etc.)

All these things help make the Grand Opening an exciting and memorable event for all!

Then, after the Grand Opening, follow-up activities are often undertaken to remind people who attended the Grand Opening and to "reach" those who did not attend. These activities frequently include:

- Newspaper coverage of the Grand Opening, with pictures of special attractions and of major prize winners.
- Follow-up mailings to customers who attended the Grand Opening.
- An aggressive advertising campaign to maintain public interest in the store at a continuing high level.

The Grand Opening, then, is one means of getting people to sit up and take notice of a new supermarket in the area. It's also an important factor in getting the new store off to a fast start on the road to success!

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead...and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. PROFILE OF A TYPICAL SUPERMARKET

VITAL STATISTICS OF THE AVERAGE SUPERMARKET

S-1 As we saw in the last Unit, a supermarket is often defined as a departmentalized retail food store with annual sales of over $____________ and at least the grocery department on a self-service basis. Using this definition, we find that the "average" supermarket has a sales volume of $1,425,000 yearly, or $27,500 weekly.

R-1
$500,000

S-2 According to industry statistics, there are 28,400 retail food stores in America with annual sales of $500,000 or more. These stores, classified as supermarkets, do a total annual sales volume of almost $40.5 billion ... an average of about $1,425,000 yearly or $___________ weekly.

R-2
$27,500

S-3 The equivalent of 20 full-time employees are usually required in an "average" supermarket with annual sales of $______________ and weekly sales of $27,500.

(NOTE: It is common practice in the retail food industry to consider two part-time employees the equivalent of one full-time employee. Thus, a store with a 2-to-1 ratio of full-time to part-time employees would have 16 full-time and 8 part-time ... and another store with a 1-to-2 ratio would have 10 full-time and 20 part-time. Yet, both stores would have the equivalent of 20 full-time employees.)

R-3
$1,425,000

S-4 In an "average" supermarket, total dollar sales amount to $____________ yearly or $____________ weekly, and total store staff is the equivalent of 20 full-time employees.

R-4
$1,425,000
$27,500

S-5 The "average" supermarket employs the equivalent of _____ (HOW MANY?) full-time employees. If we consider two part-time employees equal to one full-time employee, we find that the average sales per full-time employee in the "average" supermarket is about $70,000 per year, or $30 per hour.

R-5
20

S-6 Figuring two part-time employees equal to one full-time employee, the industry average is about $70,000 per year in sales per full-time employee, or about $_____ per hour. (For extremely large supermarkets in the $3,000,000 sales-per-year category, the figure is higher -- about $90,000 per year per full-time employee.)

R-6
$30

S-7 Sales per full-time employee in a supermarket amount to about $____________ per year or $______ per hour.

R-7
$70,000
$30

S-8 Counting two part-time employees as one full-time employee, a supermarket's sales amount to about $____________ per year per full-time employee.

R-8
$70,000

S-9 The "average" supermarket, then, has an annual sales volume of about $________________ (or, a weekly sales volume of about $__________) and employs the equivalent of ______ full-time employees. The "average" supermarket contains about 16,000 square feet, with approximately 10,700 square feet of selling space.

R-9
$1,425,000
$27,500
20

S-10 In Section I, we saw that the average new supermarket built in 1963 had an annual sales volume of almost $2 million and contained 19,900 square feet, with 13,000 square feet of selling space. These figures are(*greater ... lower*)than the current industry averages. (CIRCLE THE CORRECT WORD)

R-10 greater	S-11	For some years now, new supermarkets have exceeded the industry average in size and sales volume, thus tending to raise the average a little each year. Currently, the industry average for sales volume is $__________________ annually (or $__________ weekly); the industry average for size is about 16,000 square feet of total store area and 10,700 square feet of selling space.
R-11 $1,425,000 $27,500	S-12	In overall size, supermarkets average about ___________ square feet, 2/3 of which (or about 10,700 square feet) is devoted to selling space.
R-12 16,000	S-13	The total space covered by the 28,400 supermarkets in America amounts to almost half-a-billion square feet, or over 16 square miles! The average supermarket includes about ____________ square feet of total store area and ____________ square feet of selling space.
R-13 16,000 10,700	S-14	In approximately ____________ square feet of selling space, a typical supermarket stocks and sells between 6,000 and 7,000 items (different types, brands, and sizes of products) with between 12,000 and 14,000 product facings.
R-14 10,700	S-15	In a typical supermarket, shoppers may choose from between 6,000 and 7,000 different items (or different types, brands, and sizes of products) arranged on the shelves and display cases in from ___________ to __________ product facings.
R-15 12,000 (to) 14,000	S-16	The number of items in a typical supermarket is between ________ and ________, and the number of product facings is between _________ and _____________.

R-16 6,000 (and) 7,000 12,000 (and) 14,000	S-17	The average price of the __________ to __________ items stocked in a typical supermarket is about 37-1/2¢ per unit.
R-17 6,000 (to) 7,000	S-18	The average supermarket stocks and sells __________ to __________ items. The average price per unit is about: (CHECK ONE) ☐ 27-1/4¢ ☐ 37-1/2¢ ☐ 32-1/2¢ ☐ 45¢
R-18 6,000 (to) 7,000 37-1/2¢	S-19	In a typical supermarket, the average price of all the items rung up on the cash register is about __________¢ per unit. The average customer transaction totals about $4.85.
R-19 37-1/2¢	S-20	The average customer in a typical supermarket buys slightly less than 13 items per shopping trip. This figure is arrived at by dividing the amount of the average customer transaction (about $__________) by the average price per unit of the items stocked (about __________¢).
R-20 $4.85 37-1/2¢	S-21	The average customer transaction amounts to about $__________. An "average" supermarket, then, with weekly sales of $27,500 handles over 5,600 customer transactions per week.
R-21 $4.85	S-22	In an "average" supermarket, about how many customer transactions are rung up per week? (CHECK ONE) ☐ 4,850 ☐ 5,600 ☐ 5,200 ☐ 27,500

R-22
5,600

S-23 A total of __________ customer transactions averaging about $__________ each are handled each week in a typical supermarket. However, on the three slowest shopping days for most supermarkets (Monday, Tuesday, and Wednesday), the average customer transaction is far lower -- only about $3.05. On the three busiest shopping days (Thursday, Friday, and Saturday), the average customer transaction is far higher -- about $5.90. And, on Friday, the average customer transaction is highest -- about $7.50.

R-23
5,600
$4.85

S-24 For most supermarkets, the three busiest shopping days are Thursday, Friday, and Saturday. On these three days, a typical supermarket handles about 65% of the week's total number of customer transactions and rings up about 75% of the week's total dollar sales. Obviously, the average customer transaction on these days is *(smaller ... greater)* than on Monday, Tuesday, and Wednesday. (CIRCLE THE CORRECT WORD)

R-24
greater

S-25 (TRUE or FALSE) On Monday, Tuesday, and Wednesday a typical supermarket serves about 65% of the week's total number of customers and registers about 75% of the week's total dollar sales. __________

R-25
False

S-26 Thursday, Friday, and Saturday account for about ______% of a supermarket's __________ (HOW MANY?) total weekly customer transactions and about 75% of the total weekly dollar sales.

(NOTE: In order to spread their merchandise and labor requirements more evenly throughout the week, some supermarkets try to encourage more shopping on Monday, Tuesday, and Wednesday by advertising and/or offering extra trading stamps on these days.)

R-26
65%
5,600

S-27 What per cent of a typical supermarket's total business is handled on Thursday, Friday, and Saturday?

- ____% of total weekly customer transactions
- ____% of total weekly dollar sales

R-27
65%
75%

S-28 The fact that about ______% of the week's total customer transactions and about ______% of the week's total sales are handled on Thursday through Saturday indicates the relative importance of the various days of the week in a typical supermarket. Now, let's look at the relative importance of the various departments in a typical supermarket.

R-28
65%
75%

MAJOR DEPARTMENTS AND THEIR RELATIVE IMPORTANCE

S-29 A typical supermarket is divided into six major departments, although many supermarkets contain other departments as well. The ______ (HOW MANY?) major departments in a typical supermarket are: Grocery, Meat, Produce, Dairy, Frozen Foods, and Baked Goods.

R-29
six (6)

1. The Grocery Department

S-30 The Grocery Department occupies over half the total selling space (about 56%) but contains almost 2/3 of the total number of items (about 63%) in a typical supermarket. Obviously, then, the Grocery Department is the *(smallest ... largest)* department in terms of size and number of items.

(NOTE: The non-foods or general merchandise section is sometimes considered as part of the Grocery Department. However, sales, profit, and other financial figures for non-foods are usually considered separate from the Grocery Department.)

R-30
largest

S-31 Excluding non-foods, the Grocery Department occupies over half the total selling space (about 56%) in a typical supermarket. Items in the department comprise ________________ (WHAT PORTION?) of the total number of items, or about 4,000 different items.

R-31
almost 2/3
(or about 63%)

S-32 The Grocery Department (excluding non-foods) is the largest department in a supermarket in terms of size and number of items, occupying ______________ (WHAT PORTION?) of the total selling space and containing ______________ (WHAT PORTION?) of the total number of items. It is also the largest department in terms of unit sales (about 53% of the total) and dollar sales (about 46% of the total).

R-32
over half (or
about 56%)
almost 2/3 (or
about 63%)

S-33 Over _______ (or about ______%) of a supermarket's total selling space is devoted to the Grocery Department, and almost ______ (or about ______%) of total number of items in the supermarket are found in the Grocery Department. The department accounts for over half of the total unit sales (about 53%) and almost half of the total dollar sales (about 46%).

R-33
half (56%)
2/3 (63%)

S-34 Over one out of every two items (or about ______%) rung up on the cash register of a typical supermarket comes from the Grocery Department. Nearly one out of every two dollars (or about ______%) taken in at the check-out counter goes to pay for items from the Grocery Department.

R-34
53%
46%

S-35 In a typical supermarket, over half (or about 53%) of the total ________ ___________ and almost half (or about 46%) of total ___________ __________ come from items in the Grocery Department.

R-35 unit sales dollar sales	S-36	The Grocery Department accounts for over half (or about _______%) of total unit sales in a typical supermarket and almost half (or about _______%) of total dollar sales. It accounts for almost half (about 44%) of the total gross profit.
R-36 53% 46%	S-37	"Gross profit" is the dollars-and-cents difference between total dollar sales of an item or group of items over a period of time and the total cost of the item or items. The Grocery Department accounts for slightly ***(less than ... more than)*** half of the total gross profit in a typical supermarket.
R-37 less than	S-38	In a typical supermarket, the Grocery Department (excluding non-foods) accounts for almost half (or about 44%) of the total _________ ____________ (the dollars-and-cents difference between the total dollar sales and the total cost of items sold over a period of time).
R-38 gross profit	S-39	Gross profit equals the dollars-and-cents difference between the total ____________ __________ of an item or group of items over a period of time and the total ________ of the item or items.
R-39 dollar sales cost	S-40	If a store sold $500 worth of an item in a year's time and if the total cost of the units sold in that year amounted to $400, it could be said that the item contributed $______ in gross profit for that year. And, if total sales for an entire department amounted to $800,000 and the cost of the items sold in the department totaled $640,000, the gross profit for the department was $________________.

R-40 $100 $160,000	S-41	Although the Grocery Department in a typical supermarket occupies ________________ (WHAT PORTION?) of the total selling space and contains ________________ (WHAT PORTION?) of the total number of items, it accounts for ________________ (WHAT PORTION?) of the total gross profit.
R-41 over half (or about 56%) almost 2/3 (or about 63%) almost half (or about 44%)	S-42	The Grocery Department is the largest department in a supermarket in terms of gross profit, accounting for ________________ (WHAT PORTION?) of the store's total gross profit. However, the Grocery Department has the lowest turnover rate of the six major departments -- about 20 turns per year.
R-42 almost half (or about 44%)	S-43	Turnover for any item or group of items is found by dividing the total annual dollar sales of the item or items by the retail value of the average inventory of the item or items. For example: if total sales of an item were $500 per year and the retail value of the store's average stock of the item were $25, the turnover would be _______ (HOW MANY?) turns per year.
R-43 20 (turns)	S-44	To determine the annual turnover for an item or group of items, divide the annual dollar sales of the item or items by the retail value of the average inventory of the item or items. In the Grocery Department, the turnover is the *(lowest ... highest)* of the six major departments in a typical supermarket -- about 20 turns per year.
R-44 lowest	S-45	The rate of turnover in the Grocery Department is about 20 turns per year. This is found by dividing the annual ___________ _________ of the department by the total *(cost ... retail value)* of the average stock of all the items in the department.

R-45
dollar sales
retail value

S-46 In a typical supermarket, the turnover in the Grocery Department is the *(lowest ... highest)* of the six major departments -- about ______ turns per year. Gross margin for the department is about the same as for the store as a whole -- slightly less than 20%.

R-46
lowest
20 (turns)

S-47 "Gross margin" is the difference between the total dollar sales of an item or a group of items over a period of time and the total cost of the item or items, expressed as a percentage of total dollar sales. The gross margin in the Grocery Department is about the same as for the store as a whole, almost _____%.

R-47
20%

S-48 As we saw, the dollars-and-cents difference between the total dollar sales of an item or a group of items over a period of time, and the total cost of the item or items is called ___________ _____________. The difference between the total dollar sales and the total cost, expressed as a percentage of the total dollar sales, is called __________ _____________.

R-48
gross profit
gross margin

S-49 Gross margin is the difference between the total ___________ __________ of an item or a group of items over a period of time and the total _______ of the item or items, expressed as a percentage of the total ____________ _________. Gross margin for a typical supermarket, as well as for the Grocery Department alone, is about _____%.

R-49
dollar sales
cost
dollar sales
20%

S-50 If a store sold $500 worth of an item in a year's time and if the total cost of the units sold amounted to $400, the gross margin for that item would have been ______%.

Figure here:

R-50
20%

S-51 If total annual sales of an entire department amounted to $800,000 and if the total cost of the items sold in the department came to $640,000, the gross margin for that department would have been ______%.

Figure here:

R-51
20%

S-52 Insert the approximate percentages accounted for by the Grocery Department (excluding non-foods):

- ______% of total selling space
- ______% of total number of items
- ______% of total unit sales
- ______% of total dollar sales
- ______% of total gross profit
- ______% gross margin

R-52
56%
63%
53%
46%
44%
20%

S-53 The Grocery Department is sometimes referred to as the "backbone of a supermarket" because it occupies a greater amount of space, contains more items, and accounts for a greater share of total unit sales, dollar sales and gross profit than any other single department in the store. The Grocery Department's ____________ ______________ of almost 20% is about the same as for the store as a whole.

R-53 gross margin	S-54	(TRUE or FALSE) Even excluding general merchandise (or non-foods) as part of the the Grocery Department, the Grocery Department is still the largest department in terms of selling space, number of items, total unit sales, total dollar sales, and total dollar gross profit. __________
R-54 True	S-55	The general merchandise (or ______-__________) section is usually not included as part of the Grocery Department for purposes of financial analysis. This section alone occupies about 10% of the total selling space in a typical supermarket and contains about 18% of the total number of items stocked.
R-55 non-foods	S-56	Non-food items (such as health and beauty aids, magazines, toys, and soft goods) have become increasingly important in supermarkets in recent years. Today, about 10% of the total selling space is devoted to non-foods, which comprise about ______% of the total number of items stocked in a typical supermarket.
R-56 18%	S-57	Taken alone, non-foods occupy about _____% of the total selling space and comprise about _____% of the total number of items.
R-57 10% 18%	S-58	If non-foods were included as part of the Grocery Department, this department would be by far the largest department in a supermarket. Taken together, the Grocery Department and the non-foods section occupy about _____% of total selling space (_____% for Grocery and _____% for non-foods) and contain about _____% of the total number of items (_____% for Grocery and _____% for non-foods).

R-58 66% (56% and 10%) 81% (63% and 18%)	S-59	Considered separately, the general merchandise (or ______-_________) section occupies roughly _____% of the total selling space in a typical supermarket and contains about _____% of the total items stocked. Items in this section account for only 3% of total unit sales, but about 5% of total dollar sales.
R-59 non-foods 10% 18%	S-60	Non-foods account for only about ____% of total unit sales, but about ____% of total dollar sales. Obviously, then, the average price of non-food items is higher than the store average.
R-60 3% 5%	S-61	Unit sales of non-foods are relatively small -- about ____% of total unit sales. However, because of their *(higher-than-average ... lower-than-average)* price, non-foods account for a great per cent of total dollar sales -- about ____%. And, because of their higher-than-average gross margin (about 30%) they contribute a fairly high per cent of a store's total gross profit -- about 8%.
R-61 3% higher-than-average 5%	S-62	(TRUE or FALSE) An item or group of items (such as non-foods) can account for a relatively low per cent of a store's total unit sales and still yield a fairly high per cent of the store's total gross profit, because of a higher-than-average gross margin. ____________
R-62 True	S-63	Gross margin in the non-foods section is relatively high -- about ______%, compared to a gross margin of about _____% for the store as a whole. This accounts for the fact that non-foods contribute a considerably higher per cent of a store's total gross profit (about ____%) than unit sales or dollar sales.
R-63 30% 20% 8%	S-64	Gross margin for non-foods amounts to about _____%. However, turnover is even lower than for the Grocery Department as a whole -- about 13 turns per year.

R-64 30%	S-65	The non-foods section is characterized by a higher gross margin (about _____%) and a lower turnover (about _____ turns) than any of the six major departments in a typical supermarket.
R-65 30% 13 (turns)	S-66	Despite their low turnover (about ______ turns per year) in relation to the six major departments, non-foods contribute a respectable share of a store's total gross profit (about ____%).
R-66 13 (turns) 8%	S-67	In practically every respect, then, the largest of the six major departments in a typical supermarket is the _______________ Department, of which the ____________________ section is often considered a part. The next largest in many respects is the Meat Department.
R-67 Grocery non-foods (or) general merchandise		2. The Meat Department
	S-68	The Meat Department occupies about 11% of the total selling space and contains about 5% of the total number of items. Yet, it accounts for about 12% of total unit sales and about 24% of total dollar sales -- an indication of the relatively *(high ... low)* price of items in the Meat Department.
R-68 high	S-69	Although the Meat Department occupies only about 11% of the total selling space and contains only about 5% of the total number of items, it contributes about _____% of total unit sales and _____% of total dollar sales.
R-69 12% 24%	S-70	The Meat Department contributes about 12% of total _________ sales in a typical supermarket and about 24% of total _____________ sales.

R-70 unit dollar	S-71	Sales of the Meat Department are second only to the Grocery Department in a typical supermarket. Unit sales in the Meat Department are about _____% of the store's total unit sales, and dollar sales are about _____% of total dollar sales. In terms of gross profit, the Meat Department is also second only to the Grocery Department, accounting for about 21% of total gross profit.
R-71 12% 24%	S-72	The supermarket operator pays his expenses and makes his profit out of his gross profit dollars. We can see how important the Meat Department is by the fact that it contributes a large share (about _____%) of the store's total gross profit.
R-72 21%	S-73	A comparison with the Grocery Department will help to show the importance of the Meat Department. The Meat Department has only 1/5 as much selling space (11% of the total vs. 56% for Grocery), 1/12 as many items (5% of the total vs. 63%), and 1/4 as many unit sales (______% of the total vs. 53%) as the Grocery Department. Yet, the Meat Department accounts for 1/2 the dollar sales (_____% of the total vs. 46%) and 1/2 the gross profit (______% of the total vs. 44%) of the Grocery Department!
R-73 12% 24% 21%	S-74	The importance of the Meat Department is evidenced by the fact that the Meat Department accounts for about _____% of the total gross profit. Also by the fact that about 4 out of 5 shoppers entering the store (or 80% of the customers) buy at least one item from the Meat Department.
R-74 21%	S-75	The Meat Department is often regarded as the most popular department in a supermarket. Roughly 80% of the customers (___ out of 5 shoppers) buy at least one item from the Meat Department.

R-75 4	S-76	Many authorities claim that a supermarket succeeds or fails because of the quality of its Meat Department. The validity of this claim is shown by the fact that about ___ out of ___ shoppers buy at least one item from the Meat Department.
R-76 4 (out of) 5	S-77	The Meat Department is one of the highest-traffic areas in a supermarket. As a result, many store operators locate special displays of other high-profit items near, in, or on top of the display cases for meats, to take advantage of the fact that about ___ out of every ___ shoppers entering the store buy at least one item from the Meat Department.
R-77 4 (out of) 5	S-78	Meat (which accounts for about _____% of a store's total unit sales, but about _____% of total dollar sales and about _____% of total gross profit) has a relatively short "shelf life", and is classed as a perishable. The rate of turnover for perishable items is generally higher than for non-perishables because of the need to replace stocks more often in order to maintain freshness.
R-78 12% 24% 21%	S-79	"Shelf life" refers to the length of time a product can remain on the shelves of a store without losing its freshness. Perishable items such as meat have a relatively *(short ... long)* shelf life, and so generally have a *(lower ... higher)* turnover rate than non-perishable items. In the Meat Department, turnover is about 58 times per year.
R-79 short higher	S-80	Most meat items are perishable, and so must be sold or otherwise disposed of before they go bad. Partly because of their relatively short _________ _________, meats have a higher rate of turnover than most non-perishable items -- about 58 turns per year.

R-80 shelf life	S-81	The average shelf life for most meat items is far shorter than for most grocery items. Meat is therefore classed as a ____________________ item, and the turnover in the Meat Department is about _____ turns per year.
R-81 perishable 58 (turns)	S-82	Perishable items are those with a relatively short __________ ________. Meat is classed as a perishable, and the entire stock of meat in a typical supermarket is replaced (or "turned over") about _____ times per year.
R-82 shelf life 58	S-83	Turnover in the Meat Department is about _____ times per year. This is higher than in most other departments, partly because of the fact that most meat items are perishable and cannot be kept long. Most produce items are also perishable, and have an even shorter __________ ________ than most meat.
R-83 58 shelf life		3. The Produce Department
	S-84	Being a perishable, produce has a relatively *(short ... long)* shelf life. Turnover in the Produce Department is second-highest of the six major departments in a typical supermarket -- about 78 turns per year.
R-84 short	S-85	Next to baked goods, the Produce Department has the second-highest turnover in a typical supermarket -- about _____ turns per year.
R-85 78 (turns)	S-86	The Produce Department has the *(highest ... second-highest)* turnover in a supermarket -- about _____ turns per year. The Produce Department also yields the second-highest return on inventory investment.

R-86
second-highest
78 (turns)

S-87 "Return on inventory investment" is the relationship of the gross profit obtained from an item or group of items per dollar invested in inventory, and is found by dividing total annual gross profit produced by the item or items by the total cost of the inventory of the item or items. The Produce Department yields the second-highest __________ ____ __________ __________________ in a typical supermarket.

R-87
return on
inventory
investment

S-88 To determine the return on inventory investment for an item or group of items, divide the total annual gross profit produced by the item or items by the total cost of the inventory of the item or items. Return on inventory investment for the Produce Department is *(highest ... second-highest)* of the six major departments in a typical supermarket.

R-88
second-highest

S-89 Return on inventory investment for an item or group of items is found by dividing the total annual __________ __________ produced by the item or items by the total *(cost ... retail value)* of the item or items when the shelves are fully stocked.

R-89
gross profit
cost

S-90 If the total annual gross profit produced by an item were $600, and the total cost of the inventory of the item were $20, then the return on inventory investment would be ______%.

R-90
300%

S-91 The Produce Department yields the second-highest __________ ____ __________ __________________ in a typical supermarket. This is found by dividing the total annual __________ __________ that the department produces by the total __________ of the stock of items in the department.

R-91 return on inventory investment gross profit cost	S-92	The Produce Department, with the second-highest rate of turnover (about _____ turns per year), also produces the second-highest return on inventory investment (which is found by dividing the total annual __________ ____________ by the total ________ of the full-shelf inventory).
R-92 78 gross profit cost	S-93	Compared to other departments, the Produce Department yields a rapid rate of ____________ and a high ___________ ___ _______________ ____________________.
R-93 turnover return on inventory investment	S-94	The Produce Department in a typical supermarket also accounts for about: • 10% of total selling space; • 3% of total number of items; • 11% of total unit sales; • 7% of total dollar sales; and • 10% of total gross profit. Though you needn't concentrate on remembering all these figures, notice that the Produce Department accounts for about 11% of total unit sales, 7% of total dollar sales, and 10% of total gross profit. From these figures, it can be deduced that the gross margin in the Produce Department is *(lower ... higher)* than the average for the store as a whole.
R-94 higher	S-95	In a typical supermarket, the ___________ Department accounts for about 11% of total unit sales, about 7% of total dollar sales, and about 10% of total gross profit. The gross margin for the department is about 28% -- highest of the six major departments.
R-95 Produce	S-96	(TRUE or FALSE) The Produce Department has the highest gross margin of the six major departments in a typical supermarket -- about 28%. _________

R-96 True	S-97	Gross margin in the Produce Department of a typical supermarket is about ______%.
R-97 28%	S-98	Of the six major departments in a typical supermarket, the Produce Department has the highest __________ ______________ (about 28%), the second-highest rate of ______________ (about 78 turns per year), and the second-highest return on inventory investment.
R-98 gross margin turnover	S-99	Not only is the Produce Department one of the most important departments in a supermarket with the highest gross margin (about ______%) and the second-highest rate of turnover (about ______ turns per year), it is also one of the most popular departments. Over half of the shoppers entering the store buy at least one item from the Produce Department.
R-99 28% 78 (turns)	S-100	In a typical supermarket, ______________ (WHAT PORTION?) of the shoppers buy at least one item from the Produce Department.
R-100 over half	S-101	What portion of the shoppers entering a typical supermarket buy at least one item from the Produce Department? (CHECK ONE) ☐ about 8 out of 10 ☐ about 9 out of 10 ☐ over 4 out of 10 ☐ over 5 out of 10
R-101 over 5 out of 10	S-102	The Produce Department is one of the most important and one of the most "popular" departments in a supermarket, with ______________ (WHAT PORTION?) of the shoppers buying at least one item from the department. The Dairy Department is even more "popular", with better than 3 out of 4 shoppers buying at least one item from the department.

4. The Dairy Department

R-102 over half	S-103	Better than ___ out of ___ shoppers entering a typical supermarket buy at least one item from the Dairy Department.
R-103 3 (out of) 4	S-104	Out of every 100 customers in a typical supermarket, more than ______ (HOW MANY?) buy at least one item from the Dairy Department. Turnover in the Dairy Department is about 41 turns per year.
R-104 75	S-105	The Dairy Department's turnover is about 41 turns per year. This may seem low in view of the extremely high turnover of some dairy products (such as milk and eggs) which are delivered to the store a number of times a week because of their perishability. However, these are offset by other items (such as ice cream, cheese, and oleomargarine) which have a much longer __________ __________ and so can be stocked in larger quantities, thus reducing their rate of turnover.
R-105 shelf life	S-106	The average rate of turnover of products in the Dairy Department averages about _____ times a year.
R-106 41	S-107	Products in the Dairy Department have an average turnover of about _____ turns per year.

R-107
41 (turns)

S-108 The Dairy Department in a typical supermarket also accounts for about:

- 5% of total selling space;
- 4% of total number of items;
- 10% of total unit sales;
- 9% of total dollar sales; and
- 8% of total gross profit.

Notice here that the share of total gross profit (about 8%) produced by the Dairy Department is lower than the share of total dollar sales (about 9%). This indicates that the department's gross margin of about 17% is *(lower ... higher)* than the average gross margin for the store as a whole.

R-108
lower

S-109 The gross margin for the Dairy Department is lower than for any other department in a typical supermarket -- about _____%.

R-109
17%

S-110 Dairy products have a relatively low gross margin (about ______%), but they produce a respectable share of total dollar sales (about 9%) and total gross profit (about 8%). Frozen foods, on the other hand, carry a higher gross margin (about 27%), but produce a smaller share of total dollar sales (about 4%) and total gross profit (about 5%).

R-110
17%

5. The Frozen Foods Department

S-111 Gross margin in the Frozen Foods Department is about 27% -- second only to that of the Produce Department (about _____%). However, dollar sales of the Frozen Foods Department are only about 4% of total dollar sales, and gross profit is only about 5% of total gross profit, compared to 10% of total gross profit for the Produce Department.

R-111
28%

S-112 Frozen foods in a typical supermarket carry a gross margin of about _____%, but account for only about 4% of total dollar sales and about 5% of total gross profit.

R-112
27%

S-113 The Frozen Foods Department ranks last of the six major departments in terms of dollar sales, accounting for only about 4% of total dollar sales. The department is second-to-last in terms of gross profit, accounting for about 5% of total gross profit. This, in spite of the fact that the gross margin in the department is second-highest of the six departments -- about _____%.

R-113
27%

S-114 In a typical supermarket, the Frozen Foods Department accounts for about:

- 4% of total selling space;
- 4% of total number of items;
- 4% of total unit sales;
- 4% of total dollar sales; and
- ____% of total gross profit.

About 1 out of every 4 shoppers entering the store buy at least one item from the Frozen Foods Department.

R-114
5%

S-115 For most supermarkets, the Frozen Foods Department offers an exceptional opportunity for additional sales and profits ... partly because of the good gross margin of the department (about _____%) and partly because of the fact that only about 1 out of 4 shoppers now patronize the department on any given day.

R-115
27%

S-116 What portion of the shoppers entering a typical supermarket buy at least one item from the Frozen Foods Department? (CHECK ONE)

☐ 25 out of 100
☐ 40 out of 100
☐ 50 out of 100
☐ 75 out of 100

R-116
25 out of 100

S-117 Increased advertising and promotional emphasis on frozen foods could help increase customer interest in the department and stimulate sales. Today, only about ___ out of ___ shoppers entering a typical supermarket buy an item from the Frozen Foods Department.

R-117
1 (out of) 4

S-118 Of the six major departments in a typical supermarket, the Frozen Foods Department is patronized by the fewest customers -- about ________ (WHAT PORTION?) of the shoppers entering the store buy from the department. The Baked Goods Department is next lowest with about 4 out of 10 shoppers buying at least one item from the department.

R-118
1 out of 4
(or 25%)

6. The Baked Goods (or Bakery) Department

S-119 What portion of the shoppers entering a typical supermarket buy at least one item from the Baked Goods Department? (CHECK ONE)

☐ 1 out of 4
☐ 4 out of 10
☐ 4 out of 5
☐ 8 out of 10

R-119
4 out of 10

S-120 The Baked Goods Department is patronized by about ____ out of every _____ shoppers entering a typical supermarket.

(NOTE: This refers to the "traditional" Baked Goods Department consisting of pre-packaged baked goods sold on a self-service basis. Some supermarkets also sell fancy baked goods and/or have an on-premise bakery. Both of these will be covered separately later.)

R-120
4 (out of) 10

S-121 The "traditional" Baked Goods Department in a typical supermarket accounts for about:

- 4% of total selling space;
- 4% of total number of items;
- 7% of total unit sales;
- 5% of total dollar sales; and
- 4% of total gross profit.

Notice that the share of total dollar sales (5%) is higher than the share of total gross profit (4%), indicating that the Baked Goods Department's gross margin of about 18% is slightly *(above ... below)* that of the store as a whole.

R-121
below

S-122 The Baked Goods Department in a typical supermarket has a gross margin of only about _____%. However, turnover is the highest of the six major departments -- about 125 turns per year.

R-122
18%

S-123 Although the Bakery Department in a typical supermarket accounts for only about 5% of total dollar sales and about 4% of total gross profit, with a gross margin of about _____%, its turnover is the highest of any department in the store -- about 125 turns per year.

R-123
18%

S-124 The rate of turnover in the Bakery Department is about _______ times per year, the highest of the six major departments in a typical supermarket. Return on inventory investment is also highest in the store.

R-124
125

S-125 (TRUE or FALSE) Of the six major departments in a typical supermarket, the Baked Goods Department produces the highest turnover and the highest return on inventory investment. ____________

R-125 True	S-126	Despite its relatively low share of total dollar sales and total gross profit, and despite its relatively low gross margin (about _______%), the Bakery Department produces the highest turnover (about _______ turns) and the highest return on inventory investment of all six major departments in a typical supermarket.
R-126 18% 125 (turns)	S-127	The Baked Goods Department has the highest turnover of the six major departments in a typical supermarket -- about _______ turns per year. It also produces the highest ___________ ____ _______________ __________________.
R-127 125 return on inventory investment	S-128	We have now seen the relationship of the six major departments in a typical supermarket. The six departments are: • _______________ • _______________ • _______________ • _______________ • _______________ • _______________
R-128 Grocery Meat Produce Dairy Frozen Foods Baked Goods (or Bakery)	S-129	We also saw that the general merchandise (or ______-___________) section is often considered apart from the Grocery Department in which it is located. Many supermarkets have other departments which are also considered separately from the six major departments.
R-129 non-foods		7. Other Departments
	S-130	In keeping with the trend toward "one-stop shopping" mentioned earlier, many supermarkets now contain more than the traditional ______ (HOW MANY?) major departments. Most popular of these "other" departments are: Fancy Baked Goods; On-Premise Bakery; Delicatessen; and Liquor.

R-130 six (6)		a. The Fancy Baked Goods Department
	S-131	Fancy baked goods have become popular in the supermarket in the past few years. Today, approximately 1/3 of the supermarkets in America contain a __________ __________ __________ Department.
R-131 Fancy Baked Goods	S-132	Fancy baked goods are found in about _______ (WHAT PORTION?) of the supermarkets today. These departments are often leased to independent baking companies which provide the products and also staff the department.
R-132 1/3	S-133	In many cases, local baking companies operate the Fancy Baked Goods Departments which are found in about ______ of the supermarkets. Thus, in some stores, the Fancy Baked Goods Department is a ______________ department, but in others it is owned and operated by the stores themselves.
R-133 1/3 leased	S-134	Fancy Baked Goods Departments in supermarkets are often ______________ by independent baking companies. These bakeries provide the products and the personnel to staff the departments, and pay the supermarket operator a stated percentage of sales or of gross profit for using space in the store. In many instances, they also provide the equipment for use in the department -- shelving and, usually, a freezer or a refrigerated case.
R-134 leased	S-135	Fancy Baked Goods, then, are found in about ______ (WHAT PORTION?) of the supermarkets of America. On-Premise Bakeries, on the other hand, are found in only about 10% of the supermarkets today, but are becoming more popular year by year.

R-135
1/3

b. The On-Premise Bakery

S-136 About 10% of the supermarkets in America contain _____-________________ Bakeries where bakery products are baked right in the store itself.

R-136
On-Premise

S-137 On-Premise Bakeries are found in about _____% of the supermarkets today. Here, products are baked right in the store and are sold hot out of the oven. The aroma of freshly baked delicacies throughout the store serves to attract shoppers and stimulate sales.

R-137
10%

S-138 On-Premise Bakeries (which are found in about _____% of the supermarkets) are either owned and operated by the supermarket or they are leased to independent baking companies. The expensive equipment needed for an On-Premise Bakery and the specialized skills needed to staff such an operation has caused many supermarket operators to favor the leasing arrangement.

R-138
10%

S-139 An On-Premise Bakery requires both expensive equipment and specialized skills. As a result, some On-Premise Bakeries are ______________ to independent baking companies by supermarket operators.

R-139
leased

S-140 Besides the six major departments, many supermarkets also contain a Fancy Baked Goods Department and/or an On-Premise Bakery. Both of these departments are sometimes ____________ to outside companies by supermarket operators; the same is true of the Delicatessen Department found in many supermarkets.

R-140 leased		c. The Delicatessen Department
	S-141	About 1 out of 4 supermarkets contains a Delicatessen Department (often called the Service Deli). Like the Fancy Baked Goods Department and the On-Premise Bakery, the Delicatessen (or the ______________ ________) is sometimes leased to outside operators.
R-141 Service Deli	S-142	Like the On-Premise Bakery, the Delicatessen Department (often called the Service Deli) is usually a clerk-service department, as opposed to self-service. Delicatessen Departments are found in about 25% of the supermarkets in America, or about ___ out of every ___ supermarkets.
R-142 1 (out of) 4	S-143	Roughly 1 out of every 4 supermarkets contain a Delicatessen Department (or ____________ ________). This department is sometimes leased to outside operators, and is usually ***(clerk-service ... self-service).***
R-143 Service Deli clerk-service	S-144	Delicatessen Departments are becoming more popular all the time because they offer wholesome foods that require little or no preparation for the busy housewife. Today, about ___ out of ___ supermarkets contain a Delicatessen Department, which is generally _________-service.
R-144 1 (out of) 4 clerk-service	S-145	The advent of the Delicatessen Department (or ______________ ________) in supermarkets is part of the trend toward on-stop shopping that has gained momentum in recent years. The same could be said of Liquor Departments in supermarkets.

R-145
Service Deli

d. The Liquor Department

S-146 Liquor Departments in supermarkets are becoming increasingly popular where permitted by law. Three major categories of products in the ____________ Department are beer, wine, and "hard" liquor.

R-146
Liquor

S-147 In areas where state and local regulation covering the sale of alcoholic beverages permit, a fairly large percentage of supermarkets contain a ____________ Department. For example, about 50% of the supermarkets in the country carry beer, about 25% carry wine, and about 10% carry "hard" liquor.

R-147
Liquor

S-148 Nationwide, about 1 out of 2 (or ______%) of the supermarkets carry beer, but only 1 out of 4 (or ______%) carry wine and only 1 out of 10 (or ______%) carry "hard" liquor. The larger percentage of supermarkets which sell beer is due to the fact that regulations covering the sale of beer are less strict than those covering the sale of wine and hard liquor. Also, in most areas, a license to sell beer costs far less than a license to sell wine and hard liquor.

R-148
50%
25%
10%

S-149 Not only are state and local regulations covering the sale of beer *(more ... less)* strict in most areas than those covering the sale of wine and hard liquor, but also the cost of a license to sell beer is far*(more ... less)* expensive than a license to sell wine and hard liquor.

R-149
less
less

S-150 The Liquor Department can be a highly profitable department for a supermarket, as well as a good traffic builder. As you know, a "____________ ____________" is a product or a department intended mainly to draw customers into the store.

R-150 traffic builder	S-151	Besides being a good "________ ________" which draws customers into the store, the Liquor Department in a supermarket can also be highly profitable in itself.
R-151 traffic builder	S-152	In addition to the six major departments, then, many supermarkets contain a Fancy Baked Goods Department, an On-Premise Bakery, a ________ Department, and/or a ________ Department. Some supermarkets also include still other departments (such as a Pharmacy, a Luncheonette, a Garden Supply Department, etc.) to promote the concept of one-stop shopping. In any event, to complete our overall view of a typical supermarket, let's look at one more area of operations common to all supermarkets -- the Front End (check-out and courtesy booth).
R-152 Delicatessen Liquor		8. Front End
	S-153	The courtesy booth found in most supermarkets and the check-out counters are collectively referred to as the "Front End". In many stores, the head checker is in charge of the courtesy booth, and she also handles one of the ________-________ counters adjacent to the courtesy booth.
R-153 check-out	S-154	The courtesy booth in a supermarket usually provides check-cashing service, handles bottle returns and issues credit slips for deposit or pays deposit in cash, and takes care of damaged goods returned by customers for credit. In some stores, money orders and postage stamps are also sold at the courtesy booth. In many cases, the person in charge of the ________ ________ is the head checker who also handles one of the check-outs adjacent to it.

R-154 courtesy booth	S-155	In many supermarkets, the courtesy booth is manned by the ________ ____________ who also handles one of the check-out counters (usually an express check-out for small purchases) and supervises the other checkers. The average sales per check-out counter in a typical supermarket is about $7,000 per week.
R-155 head checker	S-156	Average weekly sales per check-out counter in a typical supermarket is about: (CHECK ONE) ☐ $4,500 ☐ $7,000 ☐ $6,000 ☐ $27,500
R-156 $7,000	S-157	The average sales per check-out counter in a typical supermarket is about $________ per week. (The figure is higher for very large stores.)
R-157 $7,000	S-158	If there were no "busy" periods or "slack" periods, the "average" supermarket with sales of $27,500 per week would have approximately ________ (HOW MANY?) check-out counters in operation continuously. However, since there ARE busy periods and slack periods, more than this number of check-outs would normally be operating at some times and fewer than this number would be operating at other times.
R-158 four (4)	S-159	The average weekly sales per check-out counter in a supermarket is about $__________. The average number of transactions per check-out counter is about 1,500 per week, or about 25 per hour.

R-159 $7,000	S-160	On the average, about 1,500 customer transactions are handled per week per check-out counter in a typical supermarket, or about _____ transactions per hour per check-out. (This figure is higher for very large stores or when a bagger works with the checker.)
R-160 25	S-161	If a checker worked every hour of the week that a supermarket is open, she could handle approximately _________ (HOW MANY?) customer transactions amounting to about $_________ in total sales in the course of the week.
R-161 1,500 $7,000	S-162	The average weekly sales per check-out counter in a supermarket is about $__________. The average number of transactions per check-out is about __________ per week, or _____ per hour.
R-162 $7,000 1,500 25		END OF SECTION II

III. ORGANIZATION OF A TYPICAL SUPERMARKET

"Organization" denotes relationships, lines of communication, and responsibilities of the personnel in a company. The organization of a company must be specially designed to meet the needs, opportunities, problems, and circumstances of the particular company; that is, an organizational plan that has proved successful for one company will not necessarily work well for another, even in the same industry.

Whether a company be large or small, its organizational plan should:

- Set forth definitive company objectives and policies.
- Assign specific responsibilities for personnel at all levels, in keeping with the company's objectives and policies.
- Establish standards for evaluating job performance at all levels.
- Establish lines of authority and responsibility between the various levels of personnel.
- Provide for effective two-way channels of communication at all levels in the company.

Finally, steps should be taken to ensure that the company's organizational structure is known and understood by all employees.

Though the wide variety of organizational plans used in supermarkets differ greatly in specific details, they can be grouped into two basic types: the single-line organization and the dual-line organization.

SINGLE-LINE TYPE OF STORE ORGANIZATION

The main characteristics of the single-line organization in a supermarket are as follows:

- One person is ultimately responsible for all phases of store operation. His title may be "Manager", "Store Manager", "General Manager", or "Store Supervisor".

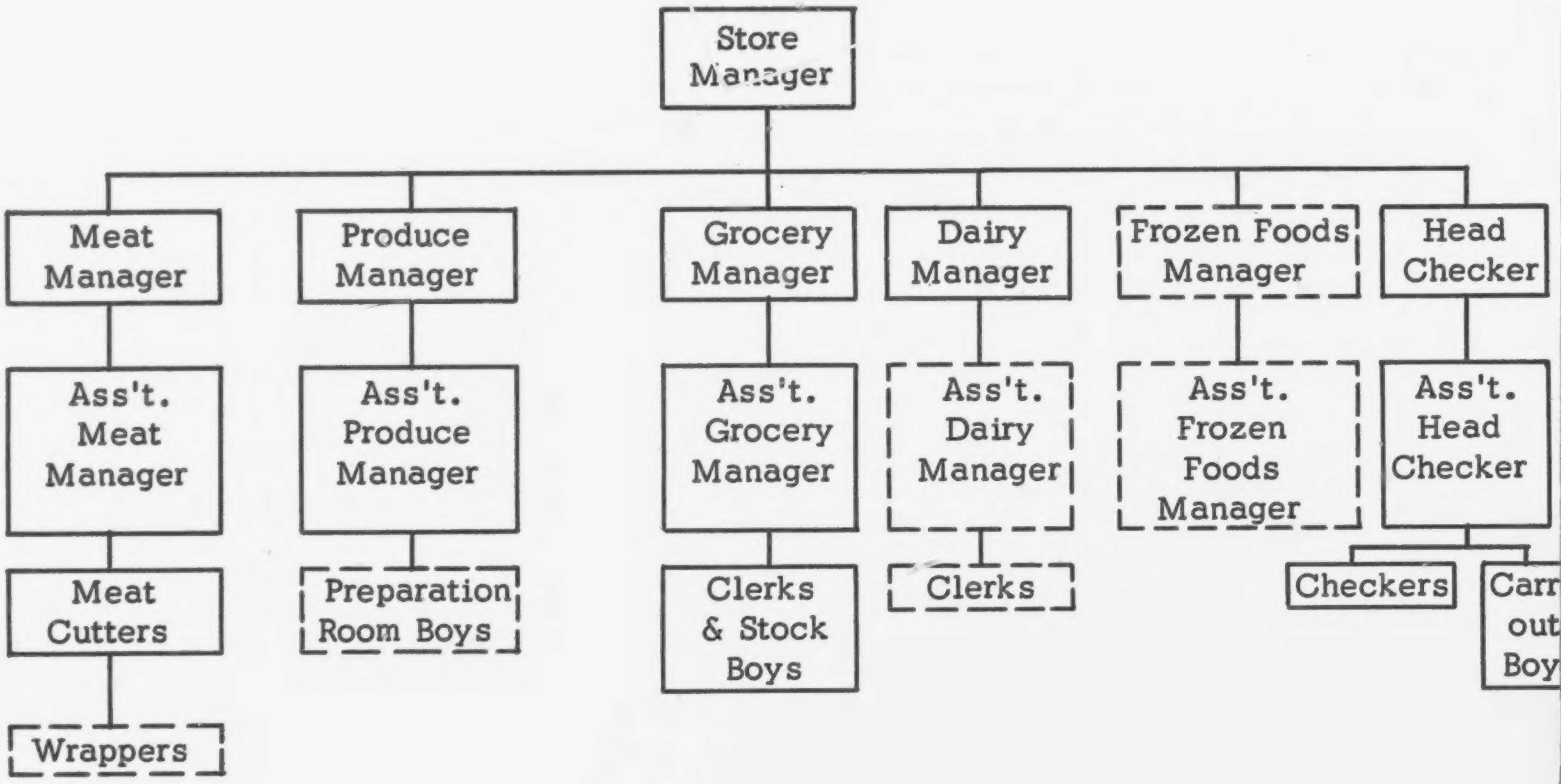
- Each key department in the store (Meat, Grocery, Dairy, and Produce) is headed by a Department Manager who is directly responsible to the Store Manager for operation of his respective department. Except in very large stores, the Baked Goods Department is usually handled by Grocery Department personnel, and the Frozen Foods Department may be handled by either Grocery or Dairy Department personnel.

- An Assistant Department Manager in each department works under the direct supervision of the Department Manager in his respective department, and assumes responsibility for the department in the absence of the Department Manager. Except in very large stores, there is usually no Assistant Dairy Manager.

- The clerks, stock boys, and meat cutters in the various departments work under the supervision of their respective Department Manager or the Assistant Department Manager.

- The Head Checker is in charge of Front End operations, reporting directly to the Store Manager. The Head Checker supervises the other checkers in the store, as well as the carry-out boys.

This basic single-line type of store organization can be diagrammed as follow, with the dotted boxes indicating positions usually found only in very large stores:


Store Manager
Meat Manager
Produce Manager
Grocery Manager
Dairy Manager
Frozen Foods Manager
Head Checker
Ass't. Meat Manager
Ass't. Produce Manager
Ass't. Grocery Manager
Ass't. Dairy Manager
Ass't. Frozen Foods Manager
Ass't. Head Checker
Meat Cutters
Preparation Room Boys
Clerks & Stock Boys
Clerks
Checkers
Carr out Boy
Wrappers

A major advantage of the single-line type of store organization is that the responsibility and authority for total store operations are centralized in one person, the Store Manager. Another is that the detail work involved in operating each department is handled by the Department Managers, thus giving the Store Manager more time to concentrate on planning, directing, and co-ordinating.

In many supermarkets, variations and adaptations of this single-line type of store organization are used. For example:

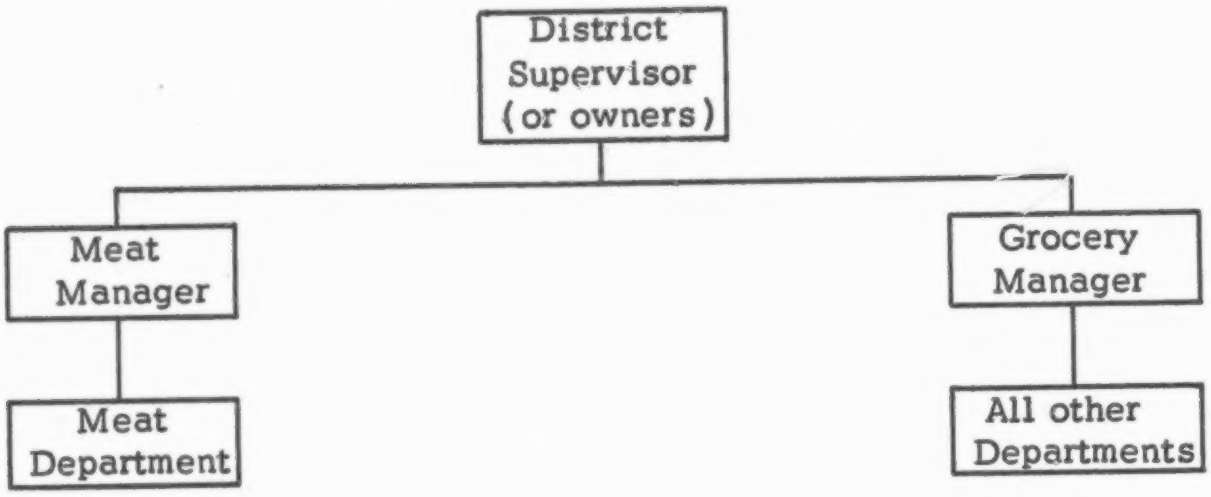
- In some stores, the Grocery Manager also carries the title Assistant Store Manager and is second-in-command to the Store Manager, supervising all other Department Managers and assuming responsibility for all store operations in the absence of the Store Manager.
- In some stores, the Grocery Manager and the Meat Manager have equal status under the Store Manager, although the Grocery Manager usually supervises the rest of the store operations (except for the Meat Department) in the absence of the Store Manager.
- In some stores, the Meat Manager is second-in-command to the Store Manager, although the Grocery Manager generally supervises the rest of the store's operations in the absence of the Store Manager.

In Chain, Co-op, and Voluntary organization, a District Supervisor or Zone Manager supervises from 6 to 12 stores. He may also have one or more Merchandising Specialists who provide assistance to one or more Department Managers in the assigned group of stores. In some organizations, the District Supervisor supervises all Departments except the Meat Department, in which case there is also a Meat Supervisor who works directly with the Meat Managers in his group of stores. This level of management in Chain, Co-op, and Voluntary organizations usually exists whether the single-line or dual-line type of store organization is used.

DUAL-LINE TYPE OF STORE ORGANIZATION

The main difference between the single-line and the dual-line types of store organization is that, in the dual-line system, no single individual has total responsibility for the store's operation. Instead, the Meat Manager is wholely responsible for operation of the Meat Department and is accountable solely to the District Supervisor (or, in the case of an Unaffiliated Independent, to the store's owners), and the Grocery Manager is responsible for all other departments except the Meat Department. Thus, in the dual-line plan, there is no Store Manager as such.

The dual-line type of store organization can be diagrammed as follows:



People in the industry who favor the dual-line plan generally cite the following as the major advantages of this type of store organization:

- It reflects the importance of the Meat Department and the fact that special skills are required in the operation of this department.
- It provides greater recognition for the Meat Manager than under the single-line method.
- It divides responsibility between two men, thus easing the burden of management.

As mentioned, the best type of store organization for a particular supermarket is the one that works best for that store. There is no "preferred" organizational plan that would fit all stores.

It should be pointed out, however, that the single-line type of store organization is used far more extensively than the dual-line. As was pointed out, the KEY PERSON in the single-line system is the Store Manager.

THE SUPERMARKET MANAGER

The Manager or the Owner of a supermarket is entrusted with the profitable operation of a business representing an investment of half-a-million dollars in building and equipment, doing anywhere from half-a-million to three million dollars or more in annual sales, and employing from 10 to 60 people or more. His job is a complex one requiring a high degree of executive ability combined with practical knowledge and experience.

Basically, the required qualifications of a Store Manager break down into two broad categories: leadership traits, and management skills.

- Leadership traits. A Store Manager obviously can't run a supermarket all by himself, but must get things done through others -- the store employees. The Manager's task is to build a strong store "team" and motivate his people to WANT to do the job that needs to be done.

There is no "pat" formula to determine who has and who does not have leadership traits required in a good Store Manager. Different Managers often use different approaches in supervising employees ... with vastly different results. For example: you have probably known men who have earned the devotion of their people by using a "tough" approach, while others merely succeeded in breeding resentment. And, you may have known men who have gained the respect of their people by using a "kid gloves" approach, while others merely invited ridicule.

Leadership is a nebulous thing, difficult to define and often difficult to detect in people unless they are in positions of authority. However, one of the universally accepted ingredients of leadership is the ability to treat all employees fairly and impartially, while recognizing that each is an individual with different goals and different motivations. Only in this way can a Manager command the respect and co-operation of his people.

- Management skills. The Manager of a supermarket is primarily a manager, not a "do-er". In order to manage, he must have the technical knowledge of the "do-er", but not necessarily the skill or proficiency. That is, he must know how meat is cut and how vegetables are trimmed, but he need not be a "whiz" at breaking down a side of beef or trimming a case of lettuce.

A Store Manager's management skills must include many things:

... Planning, organizing, decision-making, keeping records and preparing reports, and implementing company policies and procedures.

... Scheduling store personnel, evaluating performance, motivating and supervising employees.

... Recruiting, hiring, and training new employees ... and terminating employment when and if necessary.

... Delegating responsibility and authority to others, and following-up to ensure proper performance.

... Financial planning, handling money, and controlling expenses, prices, and margins to ensure the store's profitability.

... Product planning and selection, merchandising, allocating space, analyzing products profitability and eliminating unprofitable items, maintaining balanced stocks, and ordering.

... Working with others -- customers, employees, manufacturers' representatives, and supervisors.

... Representing the company and the store in the community.

In addition, the supermarket Manager must constantly look for ways to increase productivity, reduce pilferage, minimize store accidents, and maximize store profits. In other words, he must be an organizer, planner, merchandising expert, sales manager, public relations expert, diplomat, financial genius, bookkeeper, investigator, cashier, employee relations expert, trainer, efficiency expert, and good will ambassador all rolled into one.

The amazing thing is -- many supermarket Managers have all these management skills ... and more!

SELF-QUIZ

Self-Study Unit #3

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. The average capital investment for land, building, store fixtures, and equipment (but not inventory) for a new supermarket amounts to about:

   ☐ $250,000 ☐ $750,000

   ☐ $500,000 ☐ $1,000,000

2. (TRUE or FALSE) The single most important consideration in selecting a site for a new supermarket is the volume of pedestrian and auto traffic passing the site. (I-5) ____________

3. (TRUE or FALSE) In most cases, store fixtures such as shelving units and refrigerated cases are not provided by the landlord in a rented supermarket, but must be obtained at the supermarket operator's own expense. (I-7) ____________

4. Figuring two part-time employees equal to one full-time employee, the average sales per full-time employee in a typical supermarket is about $____________ per year, or $______ per hour. (II-2, S-5)

5. How many different items (different types, brands, and sizes of products) are stocked and sold in a typical supermarket? (II-3, S-14)
   __________ to __________

6. How much is the average customer transaction? (II-4, S-19) $__________

7. How many customer transactions are handled per week in an "average" supermarket with weekly sales of $27,500? (II-4, S-21) ____________

8. What percentage of a typical supermarket's total business is handled on Thursday, Friday, and Saturday? (II-5, S-24)
   - _____% of total customer transactions.
   - _____% of total weekly dollar sales

9. (TRUE or FALSE) The Grocery Department is the largest of the six major departments in a typical supermarket in terms of the amount of selling space, number of items, unit sales, and dollar sales. (II-6 and II-7, S-30 and S-32) ______________

10. (TRUE or FALSE) The Grocery Department has the highest turnover rate of the six major departments in a typical supermarket. (II-9, S-42) ______________

11. (CIRCLE THE CORRECT ANSWER) Gross margin in the Grocery Department is (higher than ... lower than ... about the same as) the gross margin for the store as a whole. (II-10, S-46)

12. Non-foods account for about ____% of total dollar sales in a typical supermarket, but produce about ____% of total gross profit. (II-13, S-59 and S-61)

13. (CIRCLE THE CORRECT ANSWERS) In a typical supermarket, the non-foods section's gross margin of 30% is (higher ... lower) than the store average, and its turnover of about 13 turns per year is (higher ... lower) than the store average. (II-13, S-61 and S-64)

14. About what per cent of total gross profit in a typical supermarket is produced by the Meat Department? (II-15, S-71)

☐ 12% ☐ 44%
☐ 21% ☐ 56%

15. The Meat Department is one of the most popular departments in the supermarket. About how many shoppers entering the store buy at least one item from the meat department. (II-15, S-74)

☐ 5 out of 10 ☐ 4 out of 5
☐ 3 out of 4 ☐ 4 out of 10

16. Turnover in the Produce Department is about: (II-17, S-84)

☐ 41 turns per year ☐ 78 turns per year
☐ 58 turns per year ☐ 125 turns per year

17. (TRUE or FALSE) The gross margin for the Produce Department is about 28%, the highest of the six major departments in a typical supermarket. (II-19, S-95) ______________

18. (TRUE or FALSE) All items in the Dairy Department have an extremely short shelf life, thus accounting in large part for the high turnover rate in this department. (II-21, S-105) ______________

19. (CIRCLE THE CORRECT ANSWER) The gross margin of the Dairy Department of a typical supermarket is (higher ... lower) than for the store as a whole. (II-22. S-108)

20. (TRUE or FALSE) Of the six major departments in a typical supermarket, the Frozen Foods Department ranks sixth in terms of dollar sales. (II-23, S-113) ____________

21. (TRUE or FALSE) Gross margin in the Frozen Foods Department is second only to that of the Produce Department. (II-22, S-111) ____________

22. Of the six major departments in a typical supermarket, the department providing the highest turnover and return on inventory investment is the ________________________ Department. (II-25, S-124)

23. Some supermarkets contain other departments besides the six major departments. Rank the following "other" departments "1", "2", or "3", according to their relative popularity in the supermarkets of America. (II-27 to 29, S-131 to 145)

_____ Fancy Baked Goods Department

_____ On-Premise Bakery

_____ Delicatessen Department

24. In a typical supermarket, the average number of transactions per check-out counter is about __________ per week, and the average sales per check-out counter is about $__________ per week. (II-32, S-155 and 159)

25. (TRUE or FALSE) In the dual-line type of store organization, there is no Store Manager as such; instead, the Meat Manager is directly responsible to the store owner or District Supervisor for the operation of his department, and the Grocery Manager is directly responsible for operations of all other departments. (III-3) ____________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 4

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

Profit and the Supermarket

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #4

In the previous Unit, we studied some of the major factors in the establishment of a new supermarket, and had an over-all view of the major departments and the internal organization of a supermarket. In this Unit, we will see what makes a supermarket a success. (Because of the length of this Unit, you may want to cover it in two or three sittings instead of all at one time.) Specifically, in this Unit we will cover:

Section I. PROFIT AND HOW IT IS PRODUCED

- A. The Profit Motive -- Foundation of American Business
- B. The Supermarket Concept
- C. Effects of Turnover on Profit
- D. Gross Profit, Expenses, and Net Profit
- E. Budgeting for Profit

Section II. GENERATING PROFIT BY INCREASING SALES

- A. Attracting More Customers
- B. Selling More to Each Customer

Section III. OTHER MEANS OF INCREASING SALES

- A. Providing Customer Conveniences
- B. Supporting Manufacturers' Consumer Promotions

Section IV. GENERATING PROFIT BY INCREASING MARGINS

- A. Increasing Prices of Items Sold
- B. Reducing the Cost of Goods Sold
- C. Eliminating Inventory Shrinkage

Section V. GENERATING PROFIT BY CONTROLLING EXPENSES

- A. Controlling Personnel Expenses
- B. Controlling Other Expenses

I. PROFIT AND HOW IT IS PRODUCED

THE PROFIT MOTIVE—FOUNDATION OF AMERICAN BUSINESS

In some countries, particularly those within the communist sphere of influence, "profit" is a dirty word. There, the only party to benefit from (or profit from) a business enterprise is the state -- the government.

In this country, our free enterprise system is based on the profit motive, and our government encourages businesses to earn a profit. Here, profit is regarded as an essential ingredient for economic stability and growth. In America:

- Profit is recognized as the just compensation for time and effort invested in a business. Just as an individual expects to be paid for the time and effort he exerts at work, so too does the businessman expect to earn a profit for the time and effort he invests in the operation of his business.
- Profit is recognized as the just return on capital invested in a business. Just as an individual expects to receive interest or dividends on money he deposits in a bank or savings and loan association, so too does the businessman expect to earn a return on the money he invests in a business.
- Profit is recognized as the just reward for money risked in a business. Without the profit motive, there would be no reason for individuals or companies to risk their money in the formation and expansion of business enterprises.

Profit, then, is justified as the return for time, effort, and money invested by a company or an individual, and the reward for risking possible loss.

Profit is the life's blood of a business. It is through profit that a company obtains the capital needed to enlarge present facilities, obtain new facilities and equipment, develop new products, and expand into new areas of operation. Since all these activities create new jobs and stimulate the entire economic cycle, it can also be said that profit is the life's blood of our nation's economy!

To better understand how profit is generated in a supermarket, it would be well to look at the basic principles underlying a supermarket's methods of operation -- "the supermarket concept", as it is called.

THE SUPERMARKET CONCEPT

By definition, the primary characteristic of a supermarket is its large sales volume -- over $500,000 per year. The way in which a supermarket achieves this sales volume distinguishes it from other retail businesses. For any retail business to attain a certain level of sales -- in this case, $500,000 -- it would either have to sell a great many units of low-priced items or a relatively few units of high-priced items. For example, to attain half-a-million dollars in sales:

- A men's clothing store would have to sell 10,000 suits at an average price of $50 ... or only 5,000 suits at an average price of $100.
- A furniture store would have to sell 2,500 sofas at an average price of $200 ... or only 1,250 sofas at an average price of $400.
- An automobile dealer would have to sell 250 cars at an average price of $2,000 ... or only 125 cars at an average price of $4,000.
- A home builder would have to sell 25 houses at an average price of $20,000 ... or only 10 houses at an average price of $50,000.

It's obvious that the higher the price of the items sold, the fewer unit sales required to achieve a given sales volume. In the case of a supermarket, where the average price of items sold is only 37-1/2¢, over 1,333,333 units a year must be sold to attain half-a-million dollars in sales.

To sell this great a number of units obviously entails a rapid rate of sale (or high turnover) of items stocked. In order to achieve a high turnover, a supermarket must attract a great number of customers into the store. It does this in many ways, but primarily by offering low prices on a wide variety of items, and by aggressive advertising and merchandising.

Thus, "the supermarket concept" is basically characterized by --

... a large sales volume, which is produced by --
... a high turnover of items, which in turn is made possible by --
... low prices on a wide variety of quality items and aggressive advertising and merchandising, which combine to attract many customers into the store.

The basic element in a supermarket's large sales volume, then, is a high turnover of items stocked. Turnover is also a key factor in a supermarket's profitability.

EFFECTS OF TURNOVER ON PROFIT

Turnover is a measure of the rate of sale of an item. As we saw in an earlier Unit, the turnover rate for an item or group of items is figured by dividing the total annual dollar sales of the item or items by the retail value of the average inventory of the item or items.

HOW exactly does increased turnover make more money for the store? To answer that question, we must consider the idea of margin.

"Margin" is the difference between the retail price of an item and the retailer's cost, expressed as a percentage of the retail price. The formula for figuring margin is:

$$\text{\% of margin} = \frac{\text{retail price - retailer's cost}}{\text{retail price}}$$

Thus, if an item costs 80¢ and sells for $1.00, the margin is 20% ($1.00 - 80¢ ÷ $1.00). Or, if an item costs 32¢ and sells for 40¢, the margin is also 20% (40¢ - 32¢ ÷ 40¢).

Most people also use the term "margin" when referring to the dollars-and-cents difference between retail price and retailer's cost. However, the term "mark-up" is sometimes used. In the above examples, this difference would be 20¢ and 8¢ respectively.

"Mark-up" is also the difference between the retail price of an item and the retailer's cost, but expressed as a percentage of the retailer's cost. The formula here is:

$$\text{\% of mark-up} = \frac{\text{retail price - retailer's cost}}{\text{retailer's cost}}$$

Thus, if an item costs 80¢ and sells for $1.00, the mark-up is 25% ($1.00 - 80¢ ÷ 80¢). Or, if an item costs 32¢ and sells for 40¢, the mark-up is also 25% (40¢ - 32¢ ÷ 32¢).

Margin and mark-up, then, are simply two different ways of expressing the difference between the retail price and the cost of an item. They both tell you, in different "language", what a retailer makes on the sale of a given item. To avoid confusion between the dual uses of these two terms, however, it is often good to qualify your meaning as either "% of margin" or "dollar margin" and either "% of mark-up" or "dollar mark-up".

Now, the connection between turnover and profit should be obvious. The money that a supermarket has tied up in inventory is considered an investment. The sooner the stock of an item is sold, the sooner the store has money available to pay its bills and to buy more stock, which in turn is sold at a profit and re-invested in still more stock, and so on. In other words, the higher the turnover, the sooner the investment bears fruit and the greater the amount of profit that can ultimately be made.

To illustrate the effects of turnover, let's compare two similar products or two different brands of the same product. If both have the same dollar mark-up, the one with the higher turnover will yield the store a better return on its investment ... even though the two items may differ in price and in % of margin.

> For example: let's say that Brand X costs 40¢ and sells for 48¢, while Brand Y costs 32¢ and sells for 40¢. The dollar mark-up is the same for each (8¢), but the % of margin on Brand X is only 16% compared to 20% for Brand Y. If Brand X sells an average of 30 units per week and Brand Y sells 25 units, then Brand X is the more profitable from the retailer's viewpoint since it provides $2.40 in gross profit per week compared to $2.00 for Brand Y.

This illustrates a basic principle of pricing in a supermarket. Namely, an item with a rapid turnover can receive a lower % of margin and still produce more gross profit dollars than another item with a slow turnover and a higher % of margin.

The corollary of this principle also holds true in pricing. Namely, an item with a slow turnover must carry a higher % of margin than another item with a rapid turnover. This is often referred to as balanced pricing.

These two principles -- as well as the example above -- are based on the assumption that the expenses incurred by the retailer to stock and sell both items are the same. Let's see what these expenses are, and how they affect profitability.

Margin and mark-up apply to what the retailer makes on a SINGLE SALE OF A SINGLE ITEM. "Gross margin" and "gross profit" refer to what he makes on ALL the individual sales of a single item or of all items over a period of time.

> "Gross margin", as we saw in Unit #3, is the difference between the total dollar sales of an item or a group of items over a period of time and the total cost of the item or items, expressed as a percentage of total dollar sales. That is:
>
> $$\text{Gross Margin} = \frac{\text{total dollar sales} - \text{total cost of goods sold}}{\text{total dollar sales}}$$
>
> Thus, if a store sells a total of $500 worth of an item in the course of a year and if the total cost of the item was $400, then gross margin for that item was 20% ($500 - $400 ÷ $500).

Gross margin can be figured on total sales of a section, a department, or the total store over a period of time ... as well as on total sales of an individual item. For example: if a store's total dollar sales for the year were $1,000,000 and the total cost of all the items sold were $800,000, then the gross margin was 20% ($1,000,000 - $800,000 ÷ $1,000,000).

> "Gross profit", as we also saw, is the dollars-and-cents difference between total dollar sales of an item or group of items over a period of time and the total cost of the item or items. Here, the formula is:
>
> $$\text{Gross Profit} = \text{total dollar sales} - \text{total cost of goods sold}$$
>
> Thus, gross profit in the example above was $100 for the individual item ($500 - $400).

Gross profit can also be figured for a store as a whole, being the sum total of the dollar mark-up on all the individual units sold over a period of time. In the example above, gross profit for the store would amount to $200,000.

In determining the profitability of any business enterprise for a given period (week, month, quarter, or year), we would begin by figuring the company's gross profit. This computation forms the basis for the business's Profit and Loss Statement, as follows:

	Total Dollar Sales	$x,xxx,xxx.xx
(Minus)	Total Cost of Goods Sold	-x,xxx,xxx.xx
	Gross Profit	$ xxx,xxx.xx

"Cost of Goods Sold" for a given period is found by adding the total dollar purchases during the period to the value of the inventory at the beginning of the period (at cost), and subtracting the value of the inventory at the end of the period (also at cost). That is:

Cost of Goods Sold = beginning inv. + purchases - ending inv.

Now, we can incorporate this computation into the Profit and Loss Statement format, as follows:

Total Dollar Sales		$x,xxx,xxx.xx
Beginning inventory	$ xxx,xxx.xx	
(plus) Purchases	+ xxx,xxx.xx	
	$x,xxx,xxx.xx	
(Minus) Ending inventory	- xxx,xxx.xx	
Total Cost of Goods Sold		-x,xxx,xxx.xx
Gross Profit		$ xxx,xxx.xx

After the retailer has determined his gross profit, he can then deduct his expenses to discover whether he has earned a profit or suffered a loss from his operations during the period. A retailer's expenses can be divided into two groups: fixed expenses and variable expenses.

- Fixed expenses or overhead are those costs which the retailer must pay regardless of how much or how little he sells. Rent, (if a flat amount, and not based on sales volume), equipment depreciation, insurance, utilities, licenses, and salaries and payroll taxes for some salaried full-time employees are prime examples -- the retailer commits himself to pay these expenses even before he opens his doors for business. These expenses remain fairly constant from month to month, and the retailer has little control over them once he has committed himself.

- Variable expenses are those costs which fluctuate from month to month, or as the quantity of goods sold increases or decreases. Store supplies (such as paper bags and wrapping materials), wages of hourly and part-time employees, advertising and promotion costs, and trading stamps are examples of variable expenses. The retailer can increase or reduce these expenses as his volume of sales warrants.

The retailer pays his expenses (both fixed and variable expenses) out of his gross profit. This is reflected in his Profit and Loss Statement as follows:

Gross Profit	$xxx,xxx.xx
(Minus) Total Fixed Expenses	-xxx,xxx.xx
(Minus) Total Variable Expenses	-xxx,xxx.xx
Operating Profit	$xxx,xxx.xx

What remains after the retailer has paid his expenses (fixed and variable) out of his gross profit is called his Operating Profit.

"Operating Profit" is the money earned by the retailer through his major business activity -- the purchase and re-sale of merchandise. However, most retailers derive income from other activities not directly connected with the purchase and re-sale of goods. Most important of these are cash discounts earned, allowances (merchandising and co-operative advertising allowances, for example), and interest earned. These items of income are usually considered as "Other Income" and are treated separately.

By the same token, most retailers incur costs which are not directly connected with the purchase and re-sale of goods. Most important of these are bad debt expenses and interest paid. These items of expense are usually considered as "Other Expense" and are treated separately.

Operating Profit + Other Income - Other Expense = Profit Before Taxes

This is shown on a Profit and Loss Statement as follows:

Operating Profit	$xxx,xxx.xx
(Plus) Other Income	+ xx,xxx.xx
(Minus) Other Expense	- xx,xxx.xx
Profit Before Taxes	$xxx,xxx.xx

After Other Income has been added to Operating Profit, and Other Expense has been subtracted, the end-result is called Profit Before Taxes (or PBT):

> "Profit Before Taxes" is NOT net profit, but rather an indication of how much the retailer has made before paying corporate (or partnership) state and federal income taxes. A retailer's actual tax liability is figured on the basis of his full year's operations. However, he can get an idea of how the business is doing on a monthly or quarterly basis by estimating what the tax would be up to that point in time.
>
> Profit Before Taxes - Income Tax = Net Profit After Taxes
> (est. or act.) (est. or act.)

This relationship is reflected in the Profit and Loss Statement as follows:

Profit Before Taxes	$xxx,xxx.xx
(Minus) Income Tax	- xx,xxx.xx
Net Profit After Taxes	$ xx,xxx.xx

What remains after the retailer estimates or pays the income tax on the business's operation is his Net Profit After Taxes. This comprises the money earned in the period, part or all of which maybe paid out to stockholders in the form of dividends ... or may be retained in the business ... or may be used for the improvement of present facilities or the building of new units.

Now, we can assemble a complete Profit and Loss Statement similar to the ones used for a supermarket, as shown on the next page. (The figures given are mainly for illustrative purposes, but the percentages are fairly typical.)

Note that some items of expense are both fixed AND variable, because part of the expense is constant and pre-determined, while part is not. A good example is telephone expense, where there is a basic monthly charge (a fixed expense) and an additional charge based on usage (a variable expense).

Some retailers may dispute the need to separate expenses into fixed and variable categories. However, such a separation is an aid in financial management because it permits the store owner or manager to: establish a budget for a coming period and determine his break-even point; and, exercise greater financial control over operations during the period so he can realize maximum profits for the period.

PROFIT AND LOSS STATEMENT

		Amount	% of Sales
TOTAL SALES		$1,000,000	100%
Less: Cost of Goods Sold:			
Beginning inventory	$ 55,000		
(plus) Net purchases	+ 803,000		
	$858,000		
(minus) Ending inventory	- 50,000		
TOTAL COST OF GOODS SOLD		- 808,000	80.8%
GROSS PROFIT		$ 192,000	19.2%

EXPENSES	FIXED	%	VARIABLE	%
Salaries and wages:				
Manager & Dept. Mgrs.	$26,000		X	
Full-time employees	15,000		$13,000	
Part-time employees	X		10,000	
Payroll taxes & insurance	4,000		2,000	
Total payroll expense	45,000	4.5%	25,000	2.5%
Rent	15,000	1.5%	X	X
Heat, light, power	3,000	.3%	6,000	.6%
Telephone, telegraph	500	.05%	500	.05%
Wrapping, supplies	X	X	7,000	.7%
Advertising	X	X	10,000	1.0%
Promotion	X	X	6,000	.6%
Trading stamps	X	X	20,000	2.0%
Depreciation:				
Equipment	8,000	.8%	X	X
Leasehold improvements	3,000	.3%	X	X
Repairs, Maintenance	X	X	6,000	.6%
Insurance	2,000	.2%	X	X
Legal, acc'ting services	2,000	.2%	X	X
Licenses, taxes	2,000	.2%	X	X
Admin. & other expenses	3,000	.3%	10,000	1.0%
	83,500	8.35%	90,500	9.05%

TOTAL FIXED AND VARIABLE EXPENSES			$ 174,000	17.4%
OPERATING PROFIT			$ 18,000	1.8%
OTHER INCOME				
Cash discounts earned	$8,000			
Allowances	3,000			
TOTAL OTHER INCOME		$11,000		
OTHER EXPENSE				
Bad debts, bad checks	$1,000			
Interest paid	6,000			
TOTAL OTHER EXPENSE		- 7,000		
OTHER PROFIT OR LOSS			$ 4,000	.4%
PROFIT BEFORE TAXES			$ 22,000	2.2%
INCOME TAXES (Est. or Act.)			7,000	.7%
NET PROFIT AFTER TAXES			$ 15,000	1.5%

BUDGETING FOR PROFIT

The budget is basically a Profit and Loss Statement planned in advance. Its primary value is in helping the store owner or manager to plan his sales and inventories and to control his expenses and profits for a coming period (usually a year). However, to be effective, the budget must remain flexible and allow for changes during the course of the period.

Establishing a budget is really not too difficult, but it does require some time and effort. Basically, the store owner or manager must forecast his sales for the period, and then forecast his margins, expenses, and profits.

1. Forecasting store sales

Any type of financial forecast is based partly on past performance. In preparing a sales forecast for the coming year, for example, the first thing to consider is the previous year's dollar sales. Then, five factors must be considered which might cause the coming year's sales to be greater or less than the prior year's sales:

- General economic conditions. Does the outlook for the nation's economy for the year ahead indicate accelerated growth, a leveling-off, or a recession ... and how will this affect the retail food industry?
- Industry trends. At what rate are sales in the industry increasing or decreasing year-to year?
- Local area trends. What changes are anticipated in local population, unemployment and income, buying habits, and the overall economic picture ... and how will these changes affect sales?
- Competition. What effect will increased or decreased competitive activity in the area have on sales in the coming period?
- The store's plans. What will be the effect on sales of any changes in store operation planned for the coming year (increased promotional activity, expansion of facilities, etc.)?

When these factors have been considered, the end-result should be a fairly reliable forecast of the store's total dollar sales for the year ahead.

Next, it is necessary to forecast the store's margins, expenses, and profits as a percent of sales.

2. Forecasting margins, expenses, and profits

After the store's total dollar sales have been projected for the year ahead, it is a simple matter to forecast margins, expenses, and profits for budgeting purposes. Merely multiply the prior year's percent of sales by the coming year's anticipated dollar sales. For example:

> Let's say the prior year's sales were $1,100,000 and the coming year's sales are expected to be $1,200,000. And, let's assume that the prior year's gross profit was $220,000 for a 20% gross margin. Assuming no drastic change in gross margin for the coming year, we can expect gross profit to be $240,000 ($1,200,000 x 20%).
>
> Similarly, if advertising expense for example were $11,000 in the prior year, or 1% of sales, we can budget $12,000 for advertising for the coming year ($1,200,000 x 1%).

In multiplying the prior year's percentage-of-sales figure by the coming year's projected dollar sales, there are some cautions that must be observed:

- If any of the percentage figures for the prior year were unusually high or unusually low, they should be adjusted accordingly. (In such a situation, the average percentage over the past 3 or 5 years might be used instead.)
- The percentages used in the budget should reflect the anticipated changes in store operations considered in the sales forecast. For example, if an increase in promotional activity is planned, this will obviously increase the store's promotion expense and it may also increase promotion expense as a percentage of sales. Further, if a large increase in sales is anticipated, this may necessitate hiring additional store personnel.

After multiplying the percentage figures for margins, for each type of expense, and for profits by the anticipated sales for the coming year, the store owner or manager has, in effect, his Profit and Loss Statement for the coming year, with each element budgeted in dollars and as a percentage of total sales. (If desired, he can divide each dollar amount by 52, by 12, or by 4 to arrive at a weekly, monthly, or quarterly budget.) He can now use this budget in determining the store's break-even point and, later, in controlling all aspects of his business to ensure a profit.

3. Determining the break-even point

The break-even point for a supermarket is the point at which sales and gross profit already realized should be sufficient to cover all expenses for the remainder of the year. All gross profit obtained after the store has reached the break-even point is actually net profit (before taxes).

Why? For the answer, we must go back to the idea of fixed and variable expenses. At the start of the year, the store operator is committed to pay his fixed expenses (such as rent, depreciation, insurance, and such) for the entire year, whether he sells anything or not. Thus, any profit realized at the beginning of the year is actually nothing more than a reserve out of which to pay these expenses later on. Net profit does not really begin to build up until a large enough reserve has been accumulated to pay ALL expenses through the end of the year. In theory at least, a supermarket could close its doors for the rest of the year as soon as it reaches its break-even point, and it wouldn't show a profit or suffer a loss for the entire year's operations.

A simplified method for determining the break-even point is to multiply the anticipated sales by 100% - anticipated profit before taxes. For example:

> The annual break-even point for a store with projected sales of $1,200,000 and with projected PBT of 3% would be $1,164,000 ($1,200,000 x 97%). After the store achieved this level of sales in the year it would have enough gross profit to cover all expenses for the year; only then would it begin to show a true profit for the year.
>
> As in the case of the budget, the break-even point can also be figured on a weekly basis ($22,400 or $1,164,000 ÷ 52) or a monthly basis ($97,000 or $1,164,000 ÷ 12) or a quarterly basis ($291,000 or $1,164,000 ÷ 4).

Regardless of the basis on which it is figured (whether weekly, monthly, quarterly, or annually), the main advantage of a retailer's knowing his break-even point is the control it enables him to exert during the period.

At any time during the period, the retailer can compare his actual sales, gross profit, and expenses with the budgeted sales, gross margin and gross profit, and expenses. Then, depending on what the picture is in relation to his break-even point, he can then take appropriate steps to correct any unfavorable trends that are developing before it's too late; for example:

- If sales to date indicate that total sales for the period will be lower than the amount budgeted, he may want to step-up his advertising program in an attempt to attract more customers to the store, or he may decide to make more extensive use of in-store displays in order to sell more to each customer.
- If gross profit to date is down, he may have to review prices -- perhaps he has absorbed some increases in the cost of some items which should have been passed on to his customers, thus reducing his gross margin. Or, he may have to review his sales balance -- perhaps the low-margin items represent too large a share of his sales. Or, he may have to review his store security -- perhaps inventory "shrinkage" is suddenly becoming a problem without his realizing it.
- If expenses to date are too high, he may have to do some belt-tightening to reduce operating costs. Perhaps he could schedule his part-time employees better, or cut down on the number or the hours of part-timers. Or, perhaps he could effect savings by a concerted drive to reduce waste of wrapping materials and store supplies.

Thus, the budget and the break-even point indicate what kind of action the store owner or manager may have to take in order to ensure that he ends the period with a profit. Depending on the situation, he may make an effort to:

- Increase sales;
- Increase margins; and/or
- Reduce expenses

Sales, margins, and expenses, then, are the major factors in profitability. In the following Sections, we will look at some specific ways in which the supermarket operator attempts to increase sales, increase margins, and reduce expenses.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead...and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. GENERATING PROFIT BY INCREASING SALES

S-1 The three major factors in profitability are sales, margins, and expenses. That is, an increase or decrease in sales, margins, and/or expenses for a supermarket will produce an increase or decrease in a store's ______.

R-1
profit

S-2 There are basically three avenues open to a store operator by which to increase store profits. He can:

- Increase _________, and/or
- Increase _______________, and/or
- Decrease __________________.

R-2
sales
margins
expenses

S-3 As we saw, a large share of a supermarket's expenses are fixed expenses which do not vary with the amount of goods sold. Which type of expense below is NOT classed as a fixed expense. (CHECK ONE)

☐ rent
☐ depreciation
☐ insurance
☐ store supplies

R-3
store supplies

S-4 A large share of a supermarket's dollar expenses are fixed expenses. Thus, an increase in dollar sales from one period to the next will generally produce *(a higher ... a lower ... the same)* dollar profit, assuming that margins and expenses remain unchanged. (CIRCLE THE CORRECT WORD)

R-4
higher

S-5 If a store's dollar sales are 10% higher one year than the year before, and if gross margin is the same in both years, then the likelihood is that dollar profit before taxes will be *(more ... less)* than 10% higher the second year compared to the prior year. (CIRCLE THE CORRECT WORD)

R-5
more

S-6 Since a large portion of a supermarket operator's expenses are __________ expenses, he can increase his dollar profits if he can increase dollar sales, maintain gross margin, and control variable expenses. He seeks to increase his dollar sales principally by trying to attract more customers and/or sell more to each customer.

R-6
fixed

ATTRACTING MORE CUSTOMERS

S-7 If he can attract more customers, the supermarket operator probably will increase his dollar ________. Everything about the store plays a part in attracting customers; however, probably the most effective methods of attracting more customers are by advertising and promotion.

R-7
sales

1. Attracting customers through advertising

S-8 Through his advertising, the store operator hopes to __________ ________ ______________.
He does this mainly:

- By advertising a variety of products with wide appeal to the people in his trading area.
- By featuring popular items as traffic builders in his ads.
- By using advertising to create a favorable store image.
- By fostering the impression that regular customers get greater values week after week, thus promoting customer loyalty.

R-8
attract more
customers

S-9 The chief purpose of a supermarket's advertising is to __________ ________ ______________ into the store. Most stores therefore do their heavy advertising on Wednesday, Thursday, and/or Friday... because most consumers do their heavy shopping on Thursday, Friday, and/or Saturday. (Some stores find they can improve sales on Monday, Tuesday, and Wednesday if they also advertise earlier in the week.)

R-9 attract more customers	S-10	Which are the most popular days for retail food store advertising? (CIRCLE THE CORRECT ANSWER) (a) Monday, Tuesday, and Wednesday (b) Wednesday, Thursday, and Friday (c) Tuesday, Wednesday, and Friday (d) Thursday, Friday, and Saturday
R-10 (b)	S-11	Retail food stores generally concentrate their advertising on three days of the week (namely, ______________, ________________, and/or ____________) so their ads appear on or immediately before the three heaviest shopping days. For a typical supermarket, the outlay for advertising amounts to about 1% of sales.
R-11 Wednesday, Thursday, and/or Friday	S-12	Of every $1,000 rung up on the cash register in a typical supermarket, roughly $10 (or about ___% of sales) goes for advertising. Newspapers are by far the most popular advertising medium used by retail food stores.
R-12 1%	S-13	Of all the different advertising media (including newspapers, handbills, radio, and television), the one most widely used by supermarkets is ____________________. According to a recent study, practically all supermarkets use this medium, and most of them (about 8 out of 10) spend over half their advertising budget in this medium.
R-13 newspapers	S-14	(TRUE or FALSE) Most supermarkets spend more money on newspaper advertising than on all other advertising media combined. ____________

R-14
True

S-15 The advertising budget for a typical supermarket amounts to almost ___% of sales. In most cases, the largest share of this is spent on newspaper advertising, mainly because this medium:

- Is relatively inexpensive;
- Permits stores to include many products in a single ad; and,
- Allows customers to "study" the stores' ads before shopping.

These same advantages also generally apply to handbills and circulars.

R-15
1%

S-16 Handbills (delivered door-to-door) and circulars (sent through the mail) generally have the same advantages as advertising in ________________ (WHICH MEDIA?). However, handbills and circulars are not as widely used by supermarkets, mainly because of the problems (and the cost) of distributing them to residents in the store's trading area.

R-16
newspapers

S-17 Practically all supermarkets advertise in newspapers. But according to the survey quoted earlier, only about 6 out of 10 use ________________ (delivered door-to-door) and ________________ (sent through the mail).

R-17
handbills
circulars

S-18 Handbills and circulars are generally *(more ... less)* widely used by supermarkets than are newspapers.

R-18
less

S-19 Some people dislike having advertising material left at their door-steps or stuffed in their mailboxes, and others resent the intrusion of "junk mail" into their homes. Knowing this, many store operators hesitate or decline to use ____________ and ________________ in their advertising programs.

R-19 handbills (and) circulars	S-20	Handbills and circulars *(are ... are not)* as widely used by supermarkets as newspapers, partly because handbills and circulars are not received with favor by all consumers. Radio and television, on the other hand, lend a certain prestige that cannot normally be obtained with other media.
R-20 are not	S-21	Considerable prestige accrues to a food store which advertises regularly on ___________ and/or __________________. In addition, use of these media permits great flexibility -- the advertiser can prepare or change his advertising message moments before it is to be broadcast, and he can use various audio and/or visual effects which capture the interest and whet the appetite of the audience.
R-21 radio (and) television	S-22	Probably the two greatest advantages of a supermarket's use of radio and television are the _________________ these media offer and the ______________________ they afford. Two of the greatest drawbacks are their high cost and the "buckshot" coverage they provide (that is, programs are usually broadcast far beyond the store's immediate trading area).
R-22 prestige flexibility	S-23	According to the survey referred to earlier, about 2 out of 3 supermarkets do some radio advertising and about 1 out of 4 do some TV advertising, mainly "spot" commercials. However, the cost of these media is generally rather ***(low ... high)*** and the scope of their coverage is generally too ***(narrow ... broad)*** for the average supermarket's purposes.
R-23 high broad	S-24	Partly because of the high cost of radio and television, most supermarkets use these media ***(more ... less)*** extensively than newspapers.

R-24 less	S-25	As we saw, the advertising budget for a typical supermarket amounts to about ___% of sales. This expenditure would be even greater were it not for co-operative advertising allowances paid by many food processors.
R-25 1%	S-26	Some food processors help defray the cost of advertising their products at the retail level by paying retailers and central buying organizations who advertise the products by name. This payment is referred to as a co-operative advertising ----------.
R-26 allowance	S-27	A food processor may agree to pay his customers for including his products in their ads. Depending on the terms of the agreement, this payment (called a ____________ ____________ ____________) may consist of: • A certain amount per case bought during a given period; or, • A certain percentage of the total dollar cost of the products bought during the period; or, • Reimbursement of all, or a specified part, of the actual cost of the advertising space devoted to the products.
R-27 co-operative advertising allowance	S-28	Co-operative advertising allowances are paid by some ________ ____________ to encourage their customers to advertise their products at the retail level. A formal agreement or contract is used which specifies the terms of payment and the performance requirements which must be met to qualify for the allowance. (According to law, the same contract must be made available to all retailers and central buying organizations in the area.)
R-28 food processors	S-29	(TRUE or FALSE) To qualify for a co-operative advertising allowance, a retailer or central buying organization must meet certain performance requirements set forth by the food processor offering the allowance. ____________

R-29 True	S-30	Retailers or central buying organizations must meet the performance requirements spelled out in the co-operative advertising contract prepared by the food processor. These _____________ _____________ may simply be that the food processors's products must be included in a specified amount of space in a specified number of ads over a specified period of time.
R-30 performance requirements	S-31	Retailers and central buying organizations have an opportunity to get more "mileage" from their advertising budget by taking advantage of the _______________ _____________ _______________ offered by some food processors.
R-31 co-operative advertising allowances	S-32	*Advertising, then, is one of the ways supermarkets* attempt to ___________ _________ ___________ and thereby increase sales. Promotions are another.
R-32 attract more customers	 S-33	2. Attracting customers through promotions All the various promotions used by supermarkets can be classed as either short-term (or occasional) promotions or long-term (or continuing) promotions, depending on their duration. For example, a special event such as a parking-lot pet show would be classed as a __________-term promotion.
R-33 short-term	 S-34	a. Short-term promotions Short-term promotions run for a relatively short period of time, while long-term promotions are continuing or run for a relatively long period of time. Special events and special sales built around a central theme are the two major types of ________ - ______ promotions.

R-34 short-term	S-35	Short-term promotions include _______ ______ (such as parking-lot pet shows, cooking demonstrations, "prettiest baby" contests, and "favorite recipe" competitions) and special sales which are usually built around a central theme.
R-35 special events	S-36	Besides special events, another type of short-term promotion is the _______ ____. For best results, this type of promotion is usually built around a _______ _____, either general or seasonal in nature.
R-36 special sale central theme	S-37	A special sale is usually most effective if built around a central theme, either _______ or ________ in nature. The special sale itself may be on a store-wide or a departmental basis.
R-37 general (or) seasonal	S-38	For maximum effectiveness, special sales (which may be on a __________ - _________ or a _________________ basis) are usually built around a central theme, either general or seasonal in nature.

R-38
store-wide
departmental

S-39 The theme for a special sale (one type of ________ ________ ________) may be general or season in nature, and the sale may be on a store-wide or departmental basis. For example:

- Store-wide promotions built around a general theme include: Anniversary Sale; 1¢ Sale; Dollar Days; Extra Value Week; etc.
- Store-wide promotions built around a seasonal theme include: Fall Food Festival; Lenten Meal Specials; Picnic Planning Specials; etc.
- Departmental promotions built around a general theme include: Case Goods Sale (Grocery Dept.); Best Beef Buys (Meat Dept.); Cheese Festival (Dairy Dept.); etc.
- Departmental promotions built around a seasonal theme include: Spring Lamb Festival (Meat Dept.); Fall Harvest of Values (Produce Dept.); National Dairy Month (Dairy Dept.); etc.

R-39
short-term
promotion

S-40 Generally, a store varies the nature and scope of its ________ _____ from one time to the next -- it might feature a store-wide promotion with a seasonal theme, then a departmental promotion with a general theme. This variety helps attract more customers by generating excitement and interest.

R-40
special sales

S-41 Thus, to attract more customers, supermarkets use many and varied short-term promotions, including ________ ______ and ________ _____. Most stores also use long-term promotions to attract more customers and to encourage regular patronage.

R-41
special events
(and) special
sales

b. Long-term promotions

S-42 Long-term or continuing promotions serve both to ________ ______ ________ into the store and to ________ ______ ________. A common long-term promotion is trading stamps.

R-42

attract more customers

encourage regular patronage

S-43 Trading stamps are one type of ________-________ (or continuing) ________________. They are widely used by supermarkets because stamp plans:

- Have widespread, continuing appeal for consumers. (Results of a recent survey indicate that 96% of all shoppers save trading stamps, and over half of them save two or more different kinds of stamps.
- Are easy to administer without additional personnel and without a great deal of additional advertising effort.
- Provide a competitive advantage in areas where other stores do not give stamps.
- Tend to encourage customers to shop the entire store, thus helping increase sales of higher-margin items.

R-43

long-term...

promotion

S-44 Many supermarkets use _ _ _ _ _ _ _ _ _ _ _ _ _ _ in order to attract more customers into the store and encourage regular patronage.

R-44

trading stamps

S-45 Trading stamps are widely used as a ________-________ promotion. However, some supermarket operators have found that:

- Stamp plans are expensive, the cost of trading stamps being about 2% of sales.
- Stamps slow the check-out process.
- Competitive advantage is lost if most other supermarkets also give stamps.
- It is difficult to discontinue a stamp plan because of the possible customer reaction. (In a customer-survey at a group of stores giving stamps, 11% of the shoppers questioned said they would shop elsewhere if stamps were discontinued, even if it meant lower prices!)

R-45

long-term

S-46 One of the major disadvantages of ________ ________ as a long-term promotion is their high cost -- about _____% of sales.

R-46
trading stamps
2%

S-47 Trading stamps (which cost a store about _____% of sales) are one type of long-term promotion used to attract more customers into the store and to

_______________ _______________ _______________

Another is coupons.

R-47
2%
encourage
regular
patronage

S-48 Stores using coupons as a promotion offer customers food or merchandise (such as glassware, serving trays, dinnerware, or encyclopedias) at a reduced price or free with a coupon and, often, a specified minimum purchase. Usually, one item of a set is offered each week. In most cases, the _ _ _ _ _ _ _ are distributed to customers through newspapers or by direct mail.

R-48
coupons

S-49 In a continuing coupon promotion, why do you think only one item of a set is usually offered each week, instead of the entire set at once? (CIRCLE THE MAJOR REASON)

(a) To reduce the cost of the promotion for the store.
(b) To encourage regular patronage by customers.
(c) To make it easier for customers to transport the items home.
(d) To reduce the amount of space and money the store must tie up in inventory of the items.

R-49
(b)

S-50 Two types of long-term promotions we've seen thus far are _______________ _______________ and _______________. Others are cash register tape promotions and games of chance.

- Cash register tape promotions offer merchandise (such as women's hosiery or lawn furniture) free or at reduced prices with cash register tapes totaling a specified amount.
- Games of chance (such as Lucky Buck or numerous versions of Bingo) offer cash or merchandise to shoppers who obtain an entire set or sequence of the specially-marked tickets received on each shopping trip.

R-50
trading stamps
(and) coupons

S-51 We have now seen how supermarkets attempt to increase dollar sales (and, ultimately, profits) by attracting more customers through advertising and promotions. As we saw, long-term promotions (such as trading stamps, coupons, ________ ________ ________ promotions, and ________ of ________) also serve to increase sales by encouraging regular patronage. Now, we'll see how stores attempt to increase sales by selling more to each customer.

R-51
cash register
tape
games (of)
chance

SELLING MORE TO EACH CUSTOMER

S-52 If he can sell more to each customer, the supermarket operator can increase his dollar ________ (and, hopefully, his dollar profits). One of the many ways he attempts to sell more to each customer is by stocking a wide variety of products.

R-52
sales

1. Stocking a wide variety of products

S-53 By stocking a wide variety of products, the store operator hopes to ________ ________ ____ ________ ________ and thereby increase his sales and profits.

R-53
sell more to
each customer

S-54 In previous Units, we noted that many supermarkets in recent years have added whole new lines of products, such as non-foods and fancy baked goods. This trend toward "one-stop shopping" is evidence of the supermarket operator's attempt to sell more to each customer by stocking a ________ ________ ____ ________.

R-54
wide variety
of products

S-55 In order to sell more to each customer, the supermarket stocks a wide ________ ____ ________ and also a wide selection of brands. In his selection of brands, the operator seeks to achieve a good product "mix"; that is, he stocks different-priced brands of the same type of product to appeal to a wider cross-section of customers.

R-55
variety of
products

2. Stocking a wide selection of brands

S-56 Besides stocking a wide variety of products, the supermarket also stocks a wide ______________ ____ ____________ in an attempt to sell more to each customer. In this, the goal is to stock different-priced brands of the same type product, to achieve what is referred to as a good product "_ _ _".

R-56
selection of
brands
"mix"

S-57 Shoppers sometimes wonder why a supermarket stocks a number of different brands of the same type of product. Of course, the store's object in stocking a wide selection of brands is to achieve a good ____________ "______" which appeals to all classes of customers, and thereby _______ ______ to each customer.

R-57
product "mix"
sell more

S-58 Two ways of selling more to each customer, then, are to stock a wide ____________ ____ __________________ and to stock a wide ________________ ____ ______________.

Another is to maintain adequate quantities of all items stocked, consistent with inventory turnover requirements.

R-58
variety of
products
selection of
brands

3. Maintaining adequate quantities of items stocked

S-59 If an item is out-of-stock, some shoppers will accept a substitute, but many others will go elsewhere to buy the desired item. Thus, we can see that maintaining adequate quantities of all items stocked is essential if a supermarket hopes to ________ ________ _____ ________ ________________.

R-59
sell more to
each customer

S-60 (TRUE or FALSE) Out-of-stocks may hurt sales of individual items, but do not affect a store's total sales because a shopper generally buys another brand of the same type of product as a substitute for her favorite brand if it is out-of-stock.

____

R-60
False

S-61 One aspect of the problem of maintaining __________ ___________ of all items stocked is avoiding ______-_____-__________. Another is the matter of keeping shelves fully-stocked at all times.

R-61
adequate quantities
out-of-stocks

S-62 According to recent store tests, fully-stocked shelves produce far greater sales than half-empty shelves (about 23% greater, in fact). To sell more to each customer, it's necessary not only to avoid out-of-stocks, but also to keep shelves _______-___________ at all times.

R-62
fully-stocked

S-63 Maintaining adequate quantities of all items stocked, then, means avoiding _____-_____- __________ and also ____________ _____________ _________-____________ at all times.

R-63
out-of-stocks
keeping shelves
fully-stocked

S-64 We have now seen three things a supermarket does to sell more to each customer:

- Stock a _________ ___________ _____ ______________;
- Stock a ________ _________________ _____ _____________; and
- Maintain ________________ ______________ of items stocked.

Another is to encourage more complete shopping of the store.

R-64
wide variety of products
wide selection of brands
adequate quantities

4. Encouraging more complete shopping of the store

S-65 An important opportunity for supermarkets to sell more to each customer is by encouraging ____ ________ shopping of the store.

R-65
more complete

S-66 Studies of customers' shopping habits indicate that:

- Instead of using shopping lists, many shoppers tend to use the store itself as a reminder of things to buy, scanning the shelves as they proceed through the store.
- Roughly half the items bought by the average shopper are unplanned or impulse purchases.

Obviously, the more items a shopper passes, the more often she will be "reminded" to buy and the more often she will get the "impulse" to buy. It stands to reason that supermarkets could sell more to each customer by ____________________

__________ _____________ ____________________

of the store.

R-66
encouraging more
complete shopping

S-67 Studies of shoppers' traffic patterns show that:

- The average shopper tends to shop the perimeter of the store, and uses cross-aisles to by-pass entire sections.
- The average shopper passes only about half the product locations in a store when doing her heavy shopping.

Obviously, the more sections a shopper enters and the more product locations she passes, the more often she will be "reminded" or get the "impulse" to buy. Again, by encouraging more complete shopping of the store, a supermarket should be able to

__________ ________ _____ ___________

________________.

R-67
sell more to
each customer

S-68 (TRUE or FALSE) Most shoppers use a shopping list, know exactly what they'll buy before they enter the store, and shop every section of the store. ____________

R-68
False

S-69 From the studies of customers' shopping habits and traffic patterns, one can conclude that supermarkets could sell more to each customer by encouraging

________ ________________ ________________

of the store. Here are some possible ways to do this:

- Eliminate all cross-aisles by extending gondolas or by using all cross-aisle space for displays.
- Move a popular department (such as Meat, Baked Goods, Produce, or Dairy) from a location along the outer walls of the store to an interior location, in order to discourage perimeter shopping.
- Make a shelf-talker or a sign reading "special of the day", and use it to call attention to a different item each day which is an exceptionally good value. Advertise the idea of a daily special, but don't advertise the item by name so shoppers have to find it for themselves.
- Have the checkers ask each shopper if she's sure she didn't forget to buy anything on this shopping trip.

R-69
more complete
shopping

S-70 Thus, an important factor in selling more to each customer is encouraging ________ ________________ ________________ of the store. Another is using displays as reminders of items to buy.

R-70
more complete
shopping

5. Using displays as reminders of items to buy

S-71 Special displays of products away from their normal shelf position serve as __________ of items to buy.

R-71
reminders

S-72 The effectiveness of _________ as reminders of items to buy is evidenced by a recent sales audit of 1,877 displays in 5 supermarkets over a 16 week period. Unit sales of items displayed increased by over 500%, and dollar sales increased by about 400%!

R-72
displays

S-73 In a recent sales audit of 1,877 displays, unit sales of all items displayed increased by over 500%, and dollar sales increased by about 400%...solid proof of the value of displays as ____________ _____ ________ _____ ______.

R-73
reminders of items to buy

S-74 Items displayed in a recent sales audit showed increases in unit sales of over _____% and increases in dollar sales of about _____%. When advertised items are displayed, even greater sales increases result, according to this sales audit:

- Unit sales of items advertised and displayed at a REDUCED PRICE showed an average increase of 1009% over normal shelf movement, while unit sales of items advertised and displayed at REGULAR PRICE showed an average increase of 730% over normal shelf movement.
- Unit sales of all advertised items increased almost 900% when displayed, compared to about 200% when confined to their normal shelf positions.

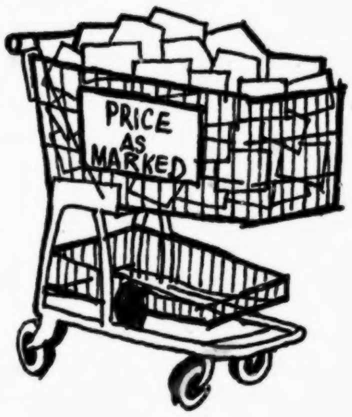
R-74
500%
400%

S-75 Store audits indicate that special displays of advertised items are particularly effective as ____________ _____ ________ _____ ______. Customer surveys indicate that displays of new items are also extremely effective:

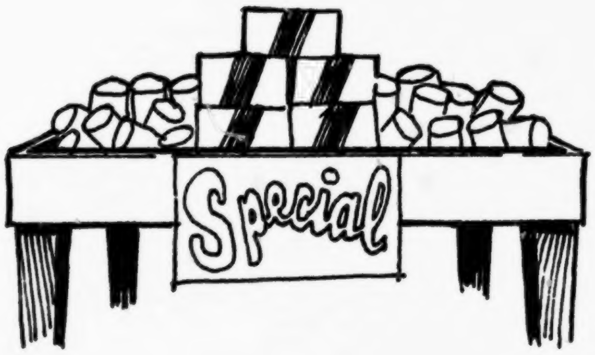
- One-half of the shoppers interviewed who had bought a new item that day said they did so because of a special display and/or store feature of the item.
- One-fourth of the shoppers interviewed who had bought a brand other than their regular brand that day said they did so because of a special display and/or store feature of the brand.

R-75
reminders of items to buy

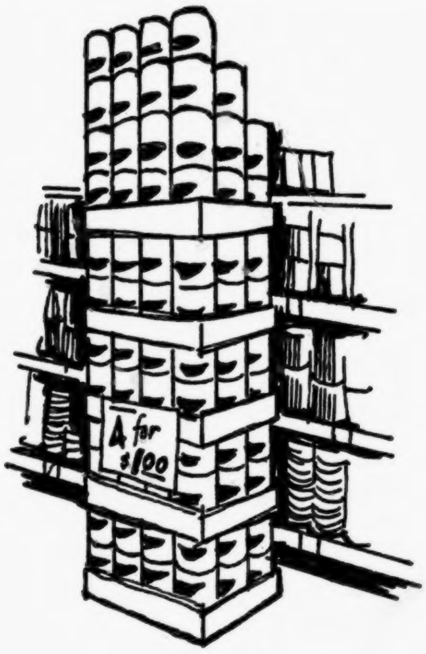
S-76 Thus, we see that special displays are most effective when the items on display are either __________ items or ___ items. Since displays serve as reminders of items to buy, displays of seasonal items and slow-moving items are also quite effective.


PRICE AS MARKED

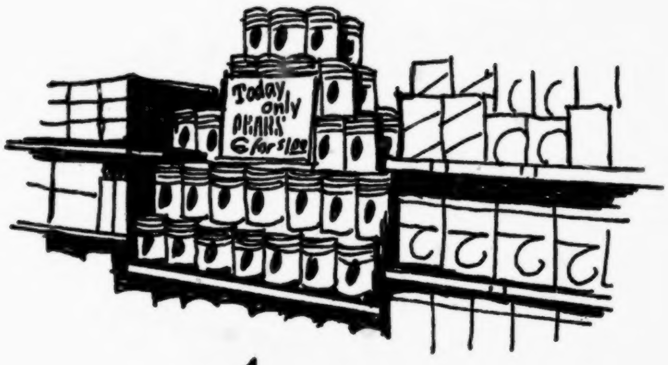
1


Special

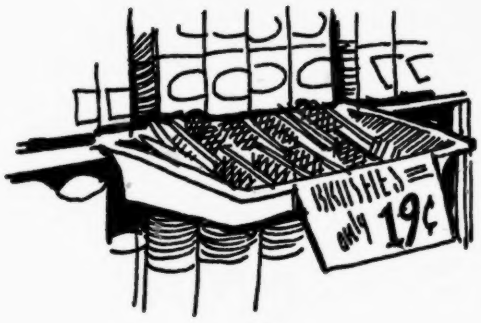
2


4 for $1.00

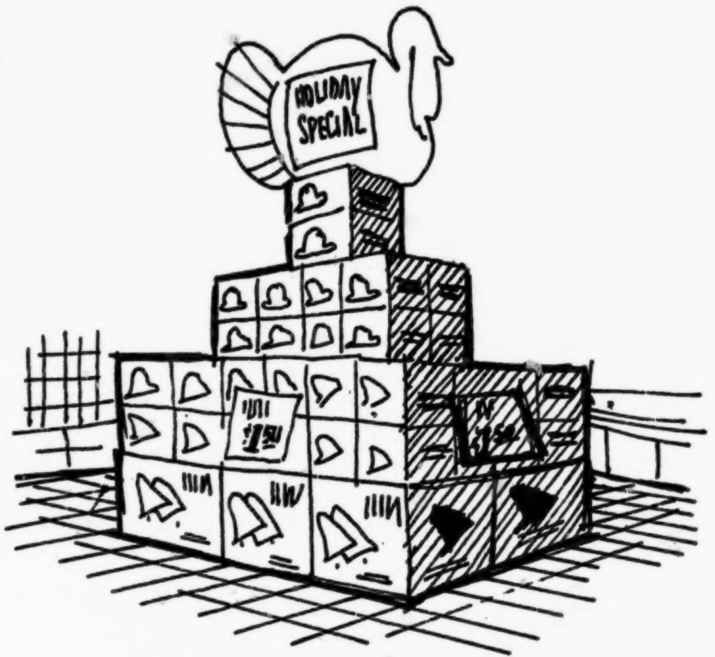
3


Today only BEANS 6 for $1.00

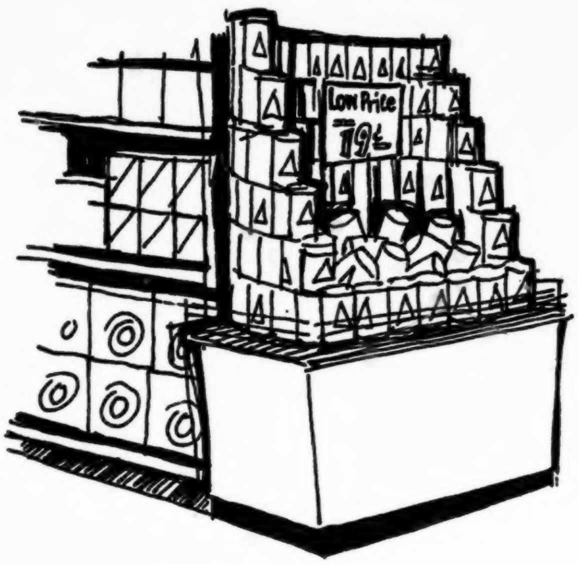
4


BRUSHES only 19¢

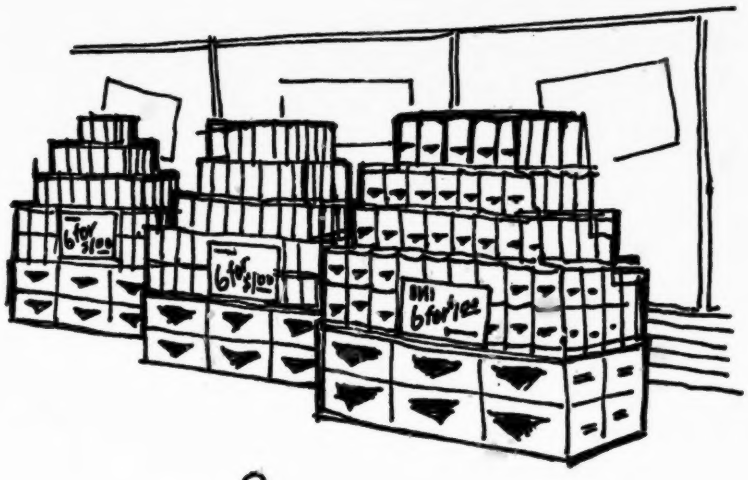
5


HOLIDAY SPECIAL

6


Low Price 19¢

7


6 for $1.00
6 for $1.00
ONLY 6 for $1.00

8

R-76
advertised
new

S-77 (TRUE or FALSE) The greatest sales increases produced by displays result from displays of advertised items, new items, seasonal items, and slow-moving items. ____________________

R-77
True

S-78 Special displays (particularly of ________________ items, ______ items, ____________________ items, and __________-______________ items) serve as effective reminders of items to buy. The major types of displays and their primary uses include:

(1) Shopping cart or dump basket displays -- ideal for small items; easiest to build and move.
(2) Dump displays -- used in freezers or refrigerated cases, or on tables; effective, easy to build.
(3) Small displays (also called aisle displays or "sore-thumb" displays) -- often used for slower-moving items; can be located in an aisle or in any unused corner of the store.
(4) Slot displays -- built-into Grocery gondolas in space created by removing shelves of the gondola; relieve the monotony of long, uniform aisles and encourage customers to shop the entire department.
(5) Shelf extenders -- baskets or racks attached to gondola projecting slightly into aisle; ideal for small tie-in items not normally found in the section.
(6) Island displays -- built in center of aisle, accessible from all four sides; ideal for tie-ins, bulky items, or produce.
(7) End-aisle displays -- built at end of gondola; ideal for tie-in, related-item, or multiple-item displays.
(8) Mass displays -- built along bare wall or front windows of store; used primarily for bulky staples with high turnover, tie-ins, or multiple-items.

R-78
advertised
new
seasonal
slow-moving

S-79 Bulky, heavy items such as large sizes of packaged detergent are best suited to a: (CHECK ONE)

☐ Dump display ☐ Mass display
☐ Small display ☐ Slot display

R-79
Mass display

S-80 A special sale of assorted packaged luncheon meats lends itself to use of a: (CHECK ONE)

☐ Dump display ☐ Shopping cart display
☐ End-aisle display ☐ Small display

R-80
Dump display

S-81 If you wished to display cannisters of grated cheese near where dry spaghetti and macaroni products are normally shelved, you would probably use a: (CHECK ONE)

☐ Island display ☐ Shopping cart display
☐ Mass display ☐ Shelf extender

R-81
Shelf extender

S-82 For a display of a tie-in promotion of pancake mix and syrup, you would probably choose a: (CHECK ONE)

☐ Slot display ☐ Shelf extender
☐ End-aisle display ☐ Dump basket display

R-82
End-aisle display

S-83 Special displays, then, serve as effective ______________ ____ __________ ____ ______. Actually, the effectiveness of a display depends in part on the choice of a location where there is good store traffic; according to the sales audit referred to earlier:

- The best display location is in the rear of the store, near the Meat Department; a close second is at the front of the store, near the entrance and the check-out counters.
- Next in order of preference are: the center of the store and at cross aisles; and slot displays in Grocery Department gondolas.

S-83 reminders of items to buy	S-84	If you were arranging special displays of the following items and had two display locations at the rear of the store, near the Meat Department, which two items would you display there? (CIRCLE TWO) (a) A staple item with high turnover and lower-than-average margin, such as packaged detergents. (b) A staple item with average turnover and lower-than-average margin, such as regular coffee. (c) A seasonal item with average turnover and higher-than-average margin, such as cocoa. (d) An impulse item with higher-than-average turnover and margin, such as packaged candy.
R-84 (c) and (d)	S-85	A major factor in the success of a display is choosing the right location for the display, the preferred location being the ***(front ... center ... rear)*** of the store.
R-85 rear	S-86	Besides the choice of a good _________, other factors affecting the success of a display include: • Using a display "theme" which attracts attention and gives a reason to buy. (According to the sales audit cited earlier, hand-lettered signs gain attention better than printed signs.) • Using "starter gaps" -- building the display to look as if a few customers have already bought from it. (Surveys show that people often hesitate to buy from displays that look too "perfect".) • Keeping the display well-stocked. (Studies indicate that people often hesitate to buy from displays that look "picked over".)

R-86 location	S-87	We have now seen five ways for a supermarket to increase sales by selling more to each customer: - By stocking a wide variety of products; - By stocking a wide selection of brands; - By maintaining adequate quantities of items stocked; - By encouraging ________ ____________________ ________________ of the store; and, - By using ____________________ as reminders of items to buy. Still another is by pricing for greatest volume (and profit).
		6. Pricing for greatest volume (and profit)
R-87 more complete shopping displays	S-88	As you're aware, odd-number pricing is the rule in supermarkets. The practice of using prices such as 29¢, 39¢, and 89¢ (instead of round-numbers such as 30¢, 40¢ and 90¢) is what's meant by ___-______ pricing.
R-88 odd-number	S-89	Odd-number pricing (also called psychological pricing) is widely used in supermarkets. Except for some items which are priced at 10¢, 25¢, and $1.00, most items are priced at ________-______________ prices such as 19¢, 49¢, and 69¢.
R-89 odd-number	S-90	People tend to think of an item priced at $1.29 as being "about $1.20" instead of "about $1.30". As a result, more people will buy an item if it is priced at *(an odd-number ... a round-number)*.
R-90 an odd-number	S-91	According to studies made on the psychology of shoppers, sales of an item will generally be *(lower ... higher)* if an odd-number price is used instead of a round-number price.

R-91 higher	S-92	Perhaps you've had this experience: your wife brings home a new dress which, she says, cost "only nineteen dollars"; when the bill arrives, you find the price was actually $19.95 ... or 5% more than she led you to believe. The same thinking occurs regarding items in a supermarket where ______-__________________ pricing is used.
R-92 odd-number	S-93	One aspect of pricing for greatest volume is the use of ________-________________ ________________. Another is the use of multiple pricing.
R-93 odd-number pricing	S-94	The practice of offering two or more units of an item at a given price is referred to as multiple pricing. Selling apples at 2 pounds for 29¢ (instead of 15¢ a pound) would be an example of -------- -------.
R-94 multiple pricing	S-95	Generally, if items are multiple priced, a customer pays slightly more per unit if she buys only one unit than if she buys the multiple units. For example, say that canned beans are priced at 2 cans for 19¢; if she buys one can on two successive shopping trips, she pays a dime each and ends up paying a penny more than if she bought two cans at a time. Thus, __________________ pricing encourages shoppers to buy larger quantities in order to save money.

R-95
multiple

S-96

Recent store tests show that:

- When five items were changed from their regular single-unit prices (21¢ each, 23¢ each, etc.) to multiple prices (2 for 41¢, 2 for 45¢, etc.), unit sales increased an average of 27%.
- Unit sales of one item (a brand of tomato juice) which was changed from 33¢ a can to 3 cans for 99¢ increased 70% ... even though the per-unit cost remained the same!
- When ten other items were changed from their regular multiple prices to single-unit prices, unit sales decreased an average of 32%.

Thus, we see that ____________ ____________ encourages shoppers to buy ______ quantities in order to save money.

R-96
multiple pricing
larger

S-97

Multiple pricing encourages shoppers to buy larger quantities in order to ______ ______. As part of the same tests:

- When five items were changed from their regular "2 for" and "3 for" multiple prices to multiple prices of "6 for", unit sales increased an average of 31%.
- Unit sales of one item (a brand of canned peas) which was changed from 3 for 49¢ to 6 for 98¢ increased 125% ... even though the per-unit cost remained the same!
- Unit sales of another item (a brand of canned pet food) which was changed from 3 for 29¢ to 6 for 59¢ increased 53% ... even though the per-unit cost was higher!

R-97
save money

S-98

The use of odd-number pricing and multiple pricing (which encourages shoppers to buy ____________ ____________ in order to ________ ________) are two factors in pricing for greatest volume. A third is the use of mark-downs.

R-98
larger
quantities
save money

S-99 Mark-downs are temporary reductions in the prices of certain items. In general, ____-_____ are used for three broad classes of items:

- Sale items, where prices are reduced primarily to attract more customers.
- Over-stocked items, where prices are reduced primarily to eliminate stocks which are excessive in relation to the items' turnover.
- "Salvage" items, where prices are reduced on over-ripe perishables primarily to move them before they spoil.

R-99
mark-downs

S-100 Match the types of mark-down items at the left with the primary reason for each type at the right.

_____	"Salvage" item	a.	To reduce excess stocks.
_____	Sale items	b.	To attract more customers.
_____	Over-stocked items	c.	To sell over-ripe perishables before they spoil.

R-100
c
b
a

S-101 Assuming that the cost of an item has not declined, marking-down an item is justified ONLY if it succeeds in:

- Attracting more customers (as in the case of ____ items); and/or
- Reducing excessive stocks of the item (as in the case of ____-________ items); and/or
- Moving over-ripe perishables before they spoil (as in the case of "________" items).

R-101
sale
over-stocked
"salvage"

S-102 A mark-down, then, is a temporary reduction in the price of an item. In the case of over-ripe perishables (or "______________" items), a large mark-down is economically sound even if the reduced price means selling the items below cost, since the items would spoil and be a total loss unless sold.

R-102
"salvage"

S-103 Mark-downs of "salvage" items (or ____-____ ____________) can be made with little thought of the cost of the items, since the items would be a total loss due to spoilage unless sold.

For example:

> If a shipment of fresh strawberries arrives on Thursday and isn't sold-out by late Saturday afternoon, the Produce Manager will try to sell the remaining stocks rather than keep them over till Monday, by which time they will have spoiled and will be a total loss. Thus, even if he has to mark-down the berries below cost (say, from 30¢ a pint to 10¢) anything he takes in is better than suffering a total loss on the remaining boxes.

R-103
over-ripe
perishables

S-104 "Salvage" items can be marked-down without much regard to the effects of the mark-downs on profit from the sale of the items, since the items would be a _____ ____ unless sold before spoiling. However, the effects on profit is an important consideration in marking-down over-stocked items and, even moreso, sale items.

R-104
total loss

S-105 Mark-downs of over-stocked items and sale items must be made only after considering their effects on ______. Every penny an item is marked-down means a penny less mark-up on each unit sold.

For example:

> Let's say an item costs 80¢ and normally sells for $1.00. Margin is 20% and mark-up is 20¢. If the price of the item is marked-down 10% to 90¢, margin is reduced to 11% and mark-up is CUT IN HALF to 10¢! Thus, a price reduction of 10% on an item with a margin of 20% produces a 50% reduction in mark-up!

R-105
profit

S-106 Every penny an item is marked-down means a penny less ____ - __ on the sale of each unit. Since the cost of the item doesn't change, every penny the item is marked-down also means a penny less total gross profit ... UNLESS total sales increase sufficiently to off-set the difference.

R-106
mark-up

S-107 Unless sales of a marked-down item increase substantially, the mark-down has the effect of reducing total ________ __________ produced by the item.

R-107
gross profit

S-108 Mark-downs must produce a substantial increase in total _____ of the items marked-down, otherwise the store's gross profit suffers.

For example:

> Consider again the item that costs 80¢ and normally sells for $1.00, with a 20% margin and 20¢ mark-up. Let's say the item normally sells 50 units a week, producing a weekly gross profit of $10. If the price is marked-down to 90¢ the store must sell 100 units to yield the same total gross profit dollars! In other words, SALES MUST DOUBLE to off-set the 10% price reduction!

R-108
sales

S-109 Thus, we see that there must be a significant increase in sales to off-set a mark-down in the price of an item in order to produce the same total ______________ ______________.

R-109
gross profit

S-110 We have now looked at some of the major ways a supermarket can attract more customers and sell more to each customer ... and thereby increase total dollar sales and, hopefully, profits. The last of these ways was by ______________ for greatest volume and profit.

R-110
pricing

END OF SECTION II.

III. OTHER MEANS OF INCREASING SALES

In the previous Section, we explored some of the major aspects of a supermarket's attempt to increase store sales principally by attracting more customers and selling more to each customer. However, there are many other factors which play a part in a store's ability to attract customers and sell more to each customer. Here, we'll consider two of these factors: customer conveniences; and support of consumer promotions offered by manufacturers.

PROVIDING CUSTOMER CONVENIENCES

At first glance, there seems to be little connection between customer conveniences and sales in a supermarket. Yet, when we think about it for a moment, we can see that the many services and facilities which we think of as customer conveniences -- and which we often take for granted -- do in fact play an important part in the sales success of a supermarket. For example:

- Adequate parking facilities. Most homemakers do their "heavy" shopping once a week ... buy more than they are able to carry ... and live a distance from the store. Since a car is almost a necessity in shopping, many shoppers prefer a supermarket which has a large parking lot and wide stalls, with plenty of spaces near the store's entrance.

- Automatic doors. Automatic doors make customers feel welcome when entering the store ... serve to direct traffic without giving people the impression they are being directed ... and are a work-saver when they're leaving loaded down with groceries. These are all factors in the amount a customer will buy while in the store.

- Shopping carts. Carts, which are essential for self-service shopping, also make it possible for shoppers to transport heavy loads to their cars, thus permitting them to buy more while in the store. (In some areas, many carts "disappear" because of customer negligence and/or theft; at upwards of $35 each, this can constitute a serious drain on store profits.)

- "Kiddie Korrals". Kiddie Korrals permit the shopper to leave her small children while shopping, enabling her to spend more time in the store store and to buy more.

- Check-cashing service. Check-cashing service acts as a traffic builder and removes the shopper's fear of over-spending, and thereby encourages her to buy more.

- Customer restrooms. Customer restrooms (which often are far more than merely a "convenience", particularly for shoppers with small children) also enable shoppers to spend more time in the store. However, only 30% of supermarkets have customer restrooms ... mainly because of the fear that shop-lifters would use the privacy of the restrooms to hide items in their clothing.

- Express check-out lanes. Express check-out lanes save time for the shopper who is buying just a few items, thus making her more apt to come back the next time.

- Parcel pick-up service. Parcel pick-up service relieves the customer of the burden of carrying out and loading her own bundles into the car ... permits her to buy more items and larger sizes.

- Other customer conveniences which help attract more customers, make shopping more pleasant, and/or promote larger purchases:

  -- Snack bar
  -- Home delivery
  -- Credit
  -- Printed shopping lists
  -- Diagrams or maps of store layout
  -- Recipe service
  -- "New item corner"

Thus, we can see that customer conveniences -- though often minor things which are frequently taken for granted -- are a factor in increasing sales for a supermarket. Another factor is the store's support of manufacturers' consumer promotions.

SUPPORTING MANUFACTURERS' CONSUMER PROMOTIONS

Needless to say, a customer will be sorely disappointed if she finds that her favorite supermarket is not stocking some exciting promotion or deal offered by a food processor -- something, say, that she saw on television or read about in a newspaper or a magazine. Not only will she be disappointed but, should it happen frequently, she may conclude that the store is not "up" with the latest things that interest shoppers ... and she may decide to look for another store that is!

With the thousands of consumer promotions offered yearly by food processors and other manufacturers selling through supermarkets, it's obviously impossible for a store to put special merchandising effort or build special displays for every promotion. The average housewife realizes this. However, the thing she doesn't understand is -- if a manufacturer promotes an in-pack premium, for example -- then why doesn't her favorite store have the pack on its shelves! After all, she thinks, this wouldn't require any extra effort on the store's part.

Actually, most consumer promotions DO require some extra effort for the store ... even aside from any special displays that might be built or merchandising effort that might be expended:

- Cents-off deal packs. Retail price of a brand is reduced for a limited time and reduction is shown on the package.

  Requires some additional time, storage space, and handling at the retail and wholesale levels to keep deal-pack goods separate from regular packs. Also, care must be taken to ensure that the shelf price and the price-mark on the item reflect the cents-off reduction.

  (NOTE: In some states, cents-off deal packs are illegal if they indicate a reduction in the shelf-price of the item; instead, the cents-off marking on the package must state that a coupon is enclosed which can be redeemed later for the amount indicated.)

- Premiums. Premiums (such as tableware, cooking utensils, toys, etc.) offered for a limited time include:

  -- "In-pack" ... the premium is enclosed in the package.

  -- "On-pack" or "tape-on" ... the premium is attached to the outside of the package.

  -- "Mail-in" ... the premium must be requested by mail directly from the manufacturer. Special premium deal packs contain a description of the premium and a mail-in coupon; mail-in coupons appearing in ads or on tear-off pads in the store require the sender to provide evidence of purchase (a boxtop, tear strip, etc.). Generally, sender must include some money to cover cost of postage and handling; if the money covers the cost of the premium itself, it is said to be a "self-liquidating" premium.

  Premiums require little or no additonal time or handling for the retailer although on-pack premiums sometimes require added space and cause difficulty because of their size and/or irregular shape.

- Coupons. Coupons distributed by the manufacturer by mail, in advertising, or inside a package may be used as cash by the shopper when she buys a particular brand.

  The retailer must send the coupons he has collected to the manufacturer or to an independent agency retained by the manufacturer; in return, he receives the face value of the coupons, plus a handling allowance.

  Handling, tallying, and sorting coupons is a time-consuming job. Further, checkers must be on their guard to see that shoppers who redeem coupons have actually bought the brands to which the coupons apply.

- Contests and sweepstakes. Consumers have an opportunity to win money or valuable prizes. In a contest, entrants must perform some activity, such as complete a statement or a jingle; in a sweepstakes, entrants merely send in their name and address. Usually, evidence of purchase is also required.

  Contests and sweepstakes generally require no added effort for the retailer, since rules and entry blanks are generally printed on the manufacturer's package, on tear-off pads in the store, and/or in newspapers and magazines.

  (NOTE: Contests and sweepstakes are illegal in some states.)

- Tie-in Promotions. Two or more different types of products (usually made by different manufacturers) are advertised and promoted jointly by the manufacturer(s).

  Though no additional time or effort is required of the retailer, success of a tie-in promotion depends greatly on in-store displays of both products together.

- Refund offers. Consumers may receive a full or partial refund on the purchase price of a brand by sending in evidence of purchase to the manufacturer (a popular promotion with manufacturers introducing a new product).

  Refund offers require no additional effort on the part of the retailer.

As mentioned, most types of consumer promotions require some extra effort at both the retail and the wholesale levels. However, the increased sales and customer interest that these promotions generate usually make this effort worthwhile.

IV. GENERATING PROFIT BY INCREASING MARGINS

We have already seen how the relationship of sales, margins, and expenses affects profit. We have explored at some length the possibility of improving profit by increasing sales while holding the line on margins and expenses. Now, we'll look at the possibility of improving profits by increasing margins while maintaining (or increasing) sales and holding the line on expenses.

Basically, the major opportunities to increase margins are:

- By increasing the prices of items sold; and/or
- By reducing the cost of goods sold; and/or
- By eliminating "inventory shrinkage"

INCREASING PRICES OF ITEMS SOLD

An increase in the price of an item or items, without a corresponding increase in the cost of the item or items, serves to increase the % of margin on the item or items.

As you know, margin is figured by dividing the difference between the cost of an item and the retail price by the retail price. For example: an item which costs 20¢ and sells for 25¢ has a margin of 20% (5¢ ÷ 25¢). If the price were raised to 27¢ and the cost of the item remained unchanged, then the margin on the item would become 26% (7¢ ÷ 27¢).

In Section II, we saw that the sales of an item must increase to off-set a mark-down in the price of the item. The opposite applies in the case of a price increase: a drop-off in sales of the item could be experienced --and probably will be experienced -- without having an adverse effect on profit. The question is: how big can the drop-off be before it affects profit.

For an answer to this question, let's go back to the item that cost 80¢ and normally sells for $1.00 for a 20¢ mark-up, with unit sales of 50 per week producing a gross profit of $10 per week.

- If the price were raised 5% to $1.05, mark-up would be 25¢ per unit.
- With a 25¢ mark-up, only 40 units per week would have to be sold (instead of 50 units) to provide the same weekly gross profit ($10).
- Thus, an item originally having a 20% margin would produce the same total gross profit dollars on a price increase of 5%, even if unit sales declined as much as 20%!

From this example, it may appear a simple matter to increase profits simply by increasing prices across-the-board on all items. However, this conclusion fails to take into account the shrewd "Yankee Trader" nature of the American housewife. Although the average homemaker may not be able to quote prices of specific items when asked, she does have a sixth sense about whether or not she is paying more for an item than she has to or used to. If a store were to raise prices indiscriminately, chances are the majority of its customers would know it...and, if there's one thing the average shopper can't abide, it's the notion that she's being taken advantage of!

Besides, competition in the industry is so intense as to rule out the idea of raising margins and prices to improve profits except on a selective basis. A safer -- and usually more productive -- way of improving margins and profits would be to try and reduce the cost of goods sold.

REDUCING THE COST OF GOODS SOLD

Most manufacturers, food processors, and wholesalers carefully figure their prices and do not allow latitude for "haggling". However, opportunities do exist for buyers to reduce the cost of goods sold; the major ones are:

- Buying in largest quantities possible; and,
- Taking advantage of suppliers' discounts, allowances, and deals.

1. Buying in largest quantities possible

Many suppliers offer lower per-unit or per-case prices on large-quantity orders. For example, a supplier's price list may be set up on this basis:

1 to 9 cases	$7.85	per case
10 to 24 cases	7.77	" "
25 to 49 cases	7.70	" "
50 to 199 cases	7.63	" "
200 to 399 cases	7.55	" "
over 400 cases	7.50	" "

Some suppliers offer this type of sliding price schedule on the total number of cases ordered of all (or a certain group of) products they manufacture or sell.

According to law, the price differences must be the direct result of economies in handling, billing, and shipping large-volume orders. Further, the rule of non-preferential treatment applies; that is, all customers must be offered the same prices and have the same opportunity to take advantage of lower prices offered for large-volume purchases.

From the sample price list shown, it would appear that the dollars-and-cents difference per case is not very great. For example, the difference between buying 100-case lots and 400-case lots is only 13¢ per case, or $52 per 400 cases. However, assuming that each case contains 24 units, the cost per unit is 31.80¢ in 100-case lots compared to 31.25¢ in 400-case lots...or a difference over 1/2 cent per unit or of 1.7% in the cost of goods sold!

Obviously, it may be to the buyer's advantage to order as large a quantity as possible at one time, in order to obtain the lowest per-unit price. However, such purchases are desirable ONLY if the item's turnover warrants buying in large quantities and ONLY if storage space and capital are available. It would be foolhardy to load up on an item with slow turnover simply to obtain a lower per-unit price; by so doing, the buyer:

- Ties-up valuable storage space (the cost of storing an item is often figured at 1/2 of 1% the item's cost per month.)
- Incurs excessive handling costs if he must shift the stock around in the storage area before it's sold.
- Risks the possibility the item will lose freshness or become obsolete due to changes in formulation or packaging, probably necessitating drastic mark-downs to move the over-stock.
- Ties up money which may be more profitably used in other areas of the business; for example, to take advantage of cash discounts offered by suppliers.

Large-volume purchases, then, are advantageous only if the buyer is reasonably certain of moving the goods in a short period of time. Thus, in effect, an item's turnover generally dictates the quantities to be bought.

2. Taking advantage of suppliers' discounts, allowances, and deals

Most retailers and central buying organizations can take advantage of various types of discounts, allowances, and deals offered by their suppliers which have the effect of reducing the per-unit cost of the products bought.

- Seasonal discounts. A seasonal discount is sometimes offered by a manufacturer of seasonal items (Christmas wrappings, Easter-egg coloring, Halloween masks, etc.) to encourage customers to place their orders and/or take delivery of goods in advance of the normal buying period. Seasonal discounts are sometimes called early-buying allowances.

The same points which apply to large-volume purchases also apply to seasonal discounts. However, in the case of seasonal items, there is a further danger in over-buying; that is, the possibility of having a stock of the goods left over with no possible way of moving them at regular prices till next year.

- Trade allowances, including co-operative advertising allowances and promotional allowances. These are essentially payments by manufacturers to defray the cost of specific advertising or sales promotion activities performed by retailers or central buying organizations.

  -- For some types of activities performed, a flat amount is paid. For example, a manufacturer may offer a $5 allowance for each special display of his products of a certain size built during a specified period.

  -- For other types of activities performed, payment may be based on the quantities purchased in a given period of time. For example, a manufacturer may offer a co-op advertising allowance of 25¢ per case or a percentage of total purchases (generally, 3% to 5%) for certain products bought during a period, provided the customer has met the performance requirements of including the products in his ads according to the terms of the co-operative advertising agreement.

- Promotions and deals. Various types of promotions and deals are periodically offered by suppliers. However, the two most widely-used types -- and the two which have the greatest effect of reducing the cost of goods sold -- are:

  -- "Case-off" deals. These are reductions in the per-case cost of an item or items bought during a specified period. For example, 25¢ off per-case might be offered during the introduction of a new product or in connection with a consumer promotion being run by a supplier.

  -- "Free goods" deals. These are offers of free products with the purchase of a stated quantity, as an incentive for the buyer to order more than he might otherwise buy. For example, the deal may be "one case free with ten" or "three cases free with twenty-five".

As in the case of large-volume purchases, such deals are profitable to the buyer ONLY if he can move the quantity bought in a reasonable period of time.

- Cash discounts. A cash discount is a percentage reduction of the total purchase price allowed a buyer for prompt payment of his bill.

  The most common discount is "2%/10, net 30", which means that the buyer may deduct 2% of his bill if he pays within 10 days, but must pay the entire bill within 30 days. In effect then, the buyer receives a 2% discount for surrendering use of his money for 20 days...a rate of 36% per year. Obviously, taking cash discounts whenever possible is a wise move, financially!

  For many businesses, cash discounts can mean the difference between a profit or a loss for the year. For example: a supermarket doing $1 million a year in sales with a gross margin of 20%, purchases $800,000 worth of goods a year; a 2% discount on products bought would amount to $16,000 yearly ($800,000 x 2%). Based on the industry average for rent (1.5% of sales), this would be more than enough to pay the year's rent!

Taking advantage of suppliers' discounts, allowances, and deals serves to reduce the cost of goods sold. The same end-result is produced by eliminating inventory shrinkage.

ELIMINATING INVENTORY SHRINKAGE

The term "inventory shrinkage" is generally used in referring to the loss of saleable goods due to:

- Shortages in in-coming shipments and deliveries
- Breakage and spoilage
- Pilferage

It's impossible to determine the extent of loss to a supermarket as a result of these three causes. However, the EFFECTS of such losses can easily be seen:

- If an item has a 20% margin, the loss of ONE UNIT -- one can or jar or box -- wipes out the total gross profit realized from the sale of the next FOUR UNITS.
- If the item returns the "average" net profit of 1.2%, the loss of ONE UNIT wipes out the total net profit realized from the sale of the next 66 UNITS!

Here's how this works out:

> **Let's say the item cost 20¢ and sells for 25¢--a 20% margin. If our net profit is 1.2%, then we net .003¢ per unit -- less than 1/3 of a cent. The loss of one unit is an actual out-of-pocket loss of 20¢. To put that 20¢ back into the pocket, we must sell an additional 66-2/3 units!**

1. Preventing shortages in in-coming shipments and deliveries

Shortages in in-coming shipments and deliveries of products may be due to carelessness or dishonesty on the part of personnel at the plant or warehouse where the shipment originated...or on the part of the trucker or delivery man...or on the part of store personnel...or others.

Of the three causes of inventory shrinkage, shortages in in-coming shipments and deliveries are probably the easiest to detect and prevent... PROVIDED THAT an effective procedure is established and followed. For example, in the case of shipments of products unloaded at the back-room receiving door, the following precautions might be observed:

- One person should have primary responsibility for checking all back-room deliveries and for seeing that the following precautions are observed:
  - -- The delivery truck should never be left unattended during unloading.
  - -- Products should never be stacked outside the receiving door.
  - -- The receiving door should be kept locked at all other times.
- The condition of all products should be checked and re-checked.
- All in-coming merchandise should be counted as it passes through the receiving door.
- The count should be verified as soon as unloading is completed.

- The tally of items should be checked against the invoice, delivery ticket, or bill of lading. Person checking should note date and time of delivery, and sign his name.
- Any shortages should be noted on the invoice, delivery ticket, or bill of lading and be verified by the trucker or delivery man.

In the case of direct-delivered items brought into the store and put directly on the shelf by the deliveryman, the following procedure might be followed:

- Shelf stock should be counted before the deliveryman begins putting up newly-delivered items, or a count should be made of items as the deliveryman brings them in.
- A count should be made of shelf stock (and any back-room stock) after the deliveryman is finished.
- The tally of items should be checked against the delivery ticket.
- A count of items picked up for refund or credit should be made before the deliveryman removes them from the store.
- Empty cartons delivery baskets, etc., should be checked before the deliveryman leaves.
- One person should have primary responsibility for checking all direct-delivered items.

These procedures, if conscientiously and consistently observed, can eliminate shortages in in-coming shipments and deliveries, and thereby be a factor in improving store profits.

2. Preventing breakage and spoilage

The effects of breakage and spoilage on store sales and profits are obvious -- people like to patronize stores which stock goods that look fresh and appealing, and they tend to avoid buying any item that is damaged. However, the CAUSES of breakage and spoilage -- and what can be done to prevent them -- are not so obvious.

Recently, the U.S. Department of Agriculture conducted a study in five supermarkets to determine the causes of loss due to breakage of grocery items, and to find possible ways of reducing breakage. The results of this study indicate that the major portion (about 62%) of all units broken or damaged beyond repair was due to ten common causes, as shown on the next page.

• Cartons damaged by cutter blade during cutting of cases	19.3%
• Items dropped by customers	10.2%
• Items falling off shelves when disturbed by customers	9.4%
• Items dropped during stocking of shelves	6.4%
• Cases falling over in back-room	4.1%
• Merchandise crushed in stacks in back-room	3.0%
• Items broken or crushed in shopping carts	2.9%
• Items dropped by customers while unloading carts	2.8%
• Items falling out of open or torn shipping containers	2.1%
• Cases dropped while being taken from stock	1.8%

As can be seen, most of these causes are nothing more or less than carlessness, and loss could have been avoided by following a few simple precautions:

- Use care in handling and opening cases, particularly when using a case cutter on packaged goods.
- Avoid stacking cases too high, and avoid stacking heavy cases on top of fragile ones.
- In stocking shelves or building displays, avoid situations where products might fall of their own weight, or where customers might easily knock items over or drop them.
- When possible, salvage slightly-damaged goods -- use tape to secure loose labels, etc.

On the matter of preventing spoilage, certain precautions can also be taken:

- All freezers, refrigerated cases, and coolers should be checked regularly and frequently to ensure proper temperature level is maintained.
- Proper stock rotation procedures should be observed:
    - When receiving items for back-room storage, newly-received cases should be stacked under or behind older stock, to ensure the older stock's being put on the shelves first.
    - When replenishing stocks on shelves or in display cases, the units already on display should be removed, the newer stock placed to the rear or the bottom, and the older stock toward the front or the top.
    - Code-dated items with a short shelf life and all perishables should be checked frequently, and any out-dated units should be removed.
- To ensure freshness, the older stock of an item should always be be sold first.

These simple procedures can go a long way in preventing breakage and spoilage, and thereby help reduce the cost of goods sold.

3. Preventing loss due to pilferage

It has been estimated that one billion dollars worth of merchandise is stolen from food stores in America each year. That amounts to almost 2% of the total $58 billion annual retail food store sales -- and more than the 1.2% net profit of retail food stores!

It has also been estimated that half of the one billion dollars worth of merchandise is taken by customers...the other half by employees, deliverymen, and others.

a. Customer pilferage

Shoplifters are difficult to categorize or describe. They may be young or old... rich or poor...male or female...alone or in groups. They may be strangers to the store, or they may be good customers.

Most supermarket shoplifters are amateurs...but often very skillful, nevertheless. (Professional shoplifters usually find it more profitable to work department stores or clothing stores where articles of greater value are sold.) Most of them are working people who do not really need to steal and, in fact, generally have enough money with them to pay for what they need! In the majority of cases, they steal only one or two items, the value of which amounts to less than $2.

Typically, the supermarket shoplifter is a deliberate, "aimless" shopper who wanders from section to section looking about -- often to determine where employees are. Chances are, the products taken are small in size or flat in shape -- the easier to hide from view. Some of the most popular items for shoplifters are health and beauty aids, packaged meats, cigarettes, candy, and soft goods such as hosiery.

According to figures recently assembled in a survey of supermarkets, the majority of the shoplifters apprehended in supermarkets were women shopping alone. (This does not necessarily mean that most shoplifters are women shopping alone...only that most of those who were apprehended were women shopping alone.) About 70% of them had no previous record of shoplifting. Many were respected members of the community and good customers of the stores in which they were caught.

What causes these people to steal? Most of them are basically honest -- or consider themselves to be, at least. But they may steal from a store because the steak they bought there last week was tough...or the eggs were broken when they got them home...or they scraped a fender in the store's parking lot. Or, they may steal because of financial difficulties...or temporary mental depression...or an uncontrollable compulsion...or simply for the thrill of stealing!

Some of the most common tricks that amateur supermarket shoplifters use to smuggle items out of the store include:

- Slipping items inside personal belongings -- purses...rolled-up newspapers...umbrellas...other parcels...empty clothing or shoe boxes...etc.
- Hiding items on their own person -- in pockets...under their hats ...inside their trousers...up their sleeves...inside their boots or shoes or elastic sock bands...etc.
- Hiding items on others -- inside their childrens' jackets or snowsuits...in their baby's carriage or stroller...etc.

Not all amateur shoplifters are so secretive about their "hobby". Some will purposely have an item checked out and will pay for it -- but it might not be what it seems. For example:

- Some use the switching method -- switch price tags on packages of meat...or jar caps...or outer wrappers with the price markings ...or switch sticks of butter into margarine or lard cartons.
- Others get double value from their purchases by sneaking high-value items into packages of low-priced items such as cereal boxes...or potato chip boxes...or produce bags.

Some of the more brazen shoplifters have even been known to go so far as to use stunts like these:

- Shopper enters the store with an empty paper bag, fills it with merchandise, and walks out through an unused check-out lane. If stopped, he or she assures the check-out clerk, "Thank you, I've been checked out already", and proceeds out.
- Woman shopper slips an item into her purse. At the check-out counter, she takes it out and asks for a refund, explaining that a member of her family had bought it by mistake. If the refund is refused, she takes the item...if it's given, she's that much ahead!
- Shopper puts bulky item on the rack at the bottom of the shopping cart. If checker spots it, she feigns forgetfullness...if not, she wheels it out to the car with her purchase.
- Customer with children shops in leisurely fashion, but items she puts down are picked up by children. If spotted at the check-out, she scolds her "naughty" children and has them put the items back, pretending they took them without her knowledge.

Finally, the professionals and semi-professionals working alone will use some elaborate tricks-of-the-trade such as:

- Hollowed-out books -- ideal for sneaking out small, expensive items.
- "Booster boxes" -- suit or dress boxes wrapped in brown paper and tied with cord, but one end is hinged...pull lightly on the cord and the end flips open, release and it closes again.
- Double trousers -- another pair of pants, tied at the ankles, and worn inside a baggy pair of outer pants...a perfect hiding place for all sizes and shapes of items.

Among the most unusual professional shoplifting techniques -- and the most costly one as far as the victims are concerned -- is that used by so-called "crotch workers"...women wearing full-flairing skirts who can walk out of a store with products clutched between their thighs. An inmate of the Detroit House of Correction has confessed to making off with $1,000,000 worth of merchandise during her 13-year career as a shoplifter -- including such items as roasts, bottles of liquor, portable typewriters, adding machines, and even portable television sets!

What can be done about the problem of customer pilferage in supermarkets? Probably it can never be eliminated altogether, but it can be controlled -- kept to the point where loss is minimized. Most supermarkets today are taking positive steps in this direction:

- Use of specialists in detecting shoplifters -- "spotters", store detectives, outside security services.
- Use of devices such as closed-circuit television and large convex mirrors in the corners of the store which both aid in detecting shoplifters and serve to warn them that the store's personnel is alert to the danger of their presence.
- Posting signs warning that shoplifters will be prosecuted.
- Adopting policies and procedures which tend to discourage shoplifters:
    - -- Stapling or firmly sealing every bag of produce, and all meat, delicatessen, and bakery items.
    - -- Reserving the right to examine all parcels, or requiring that all parcels be left near the entrance of the store while customers do their shopping.
    - -- Marking prices with indelible inks and crayons that can't be rubbed off or changed.
    - -- Displaying high-cost, easy-to-pilfer items in view of checkers.

Essentially, the greatest safeguard against shoplifters is an alert staff of store employees...people who know what to look for and what to do when they know or suspect that a shopper is a shoplifter.

b. Pilferage by suppliers' personnel

We've seen some precautions that can be taken to eliminate accidental or intentional shortages on delivery of items. Particularly where deliverymen and suppliers' salesmen come and go freely in the store, there is an ever-present danger of pilferage of other items. How easy it is to slip a carton of cigarettes, for example, into an empty milk crate or delivery basket for bread or a sample case.

The fact that deliverymen and salesmen seem to be all-around "nice guys" doesn't eliminate the danger. In fact, their attitude of friendly familiarity may be purposely put on to lull store personnel into being overly-trustful and to cause employees to feel embarrassed to check or question them.

Actually, most deliverymen and salesmen are conscientious, hard-working people. But, the danger of pilferage still exists because of a few...so vigilance is necessary.

c. Pilferage by employees

Most employees have ample opportunity to steal money and/or merchandise during their time on the job. Any good supermarket operator or manager is aware of this ever-present possibility, and he establishes whatever policies and procedures are necessary to minimize such loss. Often, these include:

- A strict policy that pilferage will not be tolerated, and that offenders will be subject to immediate discharge and possible prosecution.
- A rule that all employees entering and leaving the store, regardless of the time of day, use a single door -- one near the head checker's station or the manager's office, generally.
- A procedure for spot checks by the head checker of cash register tapes against products rung up, particularly if there has been a complaint of overcharge by a customer at the check-out.
- A rule that all employee purchases should be checked-out by the head checker, the manager, or the assistant manager.

These and other precautions can serve to minimize employee pilferage. However, probably the most effective means of minimizing employee pilferage is by constant vigilance on the part of all staff members interested in personal advancement. If the store prospers, all will benefit!

V. GENERATING PROFIT BY CONTROLLING OPERATING EXPENSES

The word "controlling" is often used with respect to operating expenses in order to reflect the multiple-effect of expenses on profits. That is, assuming that margins are maintained at the same level:

- When sales are increasing, profits can be improved if expenses do not increase proportionately.
- When sales are maintained at the same level, profits can be improved if expenses are decreased.
- When sales are declining, profits can be improved if expenses are decreased at a greater rate.

Thus, we see that a comparison of operating expenses in dollars-and-cents from one period to the next is virtually meaningless. Rather, the relationship of expenses to sales is of greatest significance. For example, if a store's sales increase from $1,000,000 one year to $1,250,000 the next year, it would be most unusual if total expenses did not also increase. However, if operating expenses as a percentage of sales rose from one period to the next, then this would be cause for alarm.

The point is -- improving profit in a supermarket does not necessarily mean reducing expenses, but rather means controlling them.

As we saw in Section I, a fairly large share of the supermarket's expenses are fixed expenses which do not normally permit very great control once they have been committed to. Thus, variable expenses provide the greatest opportunity for control, particularly in the areas of:

- Salaries and wages
- Utilities (heat, light, and power)
- Store supplies

CONTROLLING PERSONNEL EXPENSES

Salaries and wages of store personnel represent the largest portion of a typical supermarket expenses -- about 7% of sales and almost half of the store's total expenses. It stands to reason, then, that the greatest amount of the supermarket owner's or manager's efforts with respect to control of expenses should be concentrated here.

The first thing that comes to most people's minds on the matter of "controlling salary and wage expenses" is probably the various pay scales of employees. Actually, particularly in the case of hourly employees, most store owners and managers have little control over pay scales. If they hope to be able to hire and keep good people, they expect to pay "the going rate" and would not think of trying to cut wages even if they could, except as a last desperate measure.

Rather, controlling salary and wage expenses boils down to two very basic points:

- Scheduling personnel for greatest efficiency
- Getting maximum productivity from each employee

1. Scheduling personnel for greatest efficiency

Every retail food store has "busy periods" and "slack periods" during the day ... and "busy days" and "slow days" during the week. The trick of scheduling personnel is to have enough people on hand to properly serve customers at all times without being over-staffed ... and to have everyone working busily at all times without being over-worked.

- Some supermarkets use full-time employees mainly during daytime hours, with only one or two on hand in the evening, utilizing students part-time after school and in the evenings and on Saturdays. In some cases, shelves are stocked by part-timers at night, after the store has closed. In such stores, the part-time employees often outnumber the full-time staff by as much as a 2-to-1 ratio.
- Other stores employ mostly full-time people throughout the day and evening, staggering their working hours in such a way that the majority of employees at any given time are full-timers. Some part-time employees are used, but only during peak periods and on Saturday. In such stores, the full-timers outnumber the part-timers by 2-to-1 or more.

The question of which is the better approach toward scheduling personnel depends upon many things, including: the local labor market ... local or union regulations on part-time wage rates and overtime payment for evening work ... and individual company policy. For example, some companies feel that the more full-time employees, the greater the overall efficiency and the greater the supply of promotable individuals available for staffing new stores that might be opened. Others feel that efficiency is not substantially impaired by the use of more part-timers.

2. Getting maximum productivity from each employee

Since salaries and wages are such a large share of operating expenses, it's conceivable that just one or a few inefficient employees could make the difference between profit and loss -- between success and failure -- for a supermarket. After all, if an employee takes 2 hours to do something he should be able to handle in an hour or an hour and a half, the drain on profit is obvious.

Productivity means that all employees know what to do and how do do it ... and then want to do it properly. Productivity is a state of mind which causes an employee to want to do MORE than he has to do or is expected to do. The seed is planted when a prospective new employee is being interviewed for a job ... it starts to sprout during his orientation and initial training during those first days on the job ... it grows stronger as he begins to develop skill in handling his assigned duties ... and it bears fruit when he knows he has mastered every aspect of his job!

An efficient, productive store team doesn't just "happen", then. It is carefully developed and shaped by the store manager or owner, and nurtured by the feeling of satisfaction that comes with a successful team effort. Sometimes, one of the branches may break off or have to be pruned, but a new branch soon grows to take its place and bring new vitality to the whole.

Training ... supervision ... motivation ... individual recognition -- these are means by which productivity is maximized and labor costs minimized!

CONTROLLING OTHER EXPENSES

Operating expenses besides salaries and wages (excluding rent, depreciation, advertising, and promotional expenses) amount to about 6% of sales. The expenses which offer the greatest opportunity for control here are:

- Heat, power, and light. The cost of utilities amounts to less than 1% of a typical supermarket's sales. Although only a rather small amount, these expenses could probably be reduced even lower if all store employees observed a few common-sense rules; for example:

  -- Keep outside doors closed and locked to conserve on air conditioning and heating costs.

  -- Keep cooler doors closed to conserve on refrigeration costs.

  -- Turn out lights when leaving a room or work station vacant.

- Store supplies. The cost of store supplies -- which also amount to less than 1% of sales -- could also be reduced if all employees were aware of opportunities to conserve. For example, the cost of paper bags could probably be reduced substantially if baggers at the checkout made a point to:

  -- Ask each customer with a large order if they could pack the purchase in cardboard boxes instead of paper bags.

  -- Avoid using bags that are too large for the size of the item to be bagged.

  -- Use double bags only when the items to be bagged warrant them.

  A 20-lb. brown bag costs about 3/5¢. If a store's net profit is 1.2% of sales, then the cost of a 20-lb. bag is equal to the net profit made on a 50¢ sale! So, a bagger wipes out the net profit on a 50¢ sale every time he wastes a 20-lb. bag -- for example, by double-bagging an item that didn't really require double-bagging. On the other hand, he produces as much net profit as an additional 50¢ purchase every time he conserves one 20-lb. bag!

Utilities and store supplies are two elements of a store's total operating expenses which can "make or break" a store, and can mean the difference between a store's being truly successful or merely mediocre. And, as we've seen, unlike most other store expenses, every store employee has an opportunity to enhance the store's profits by conserving on utilities and supplies wherever possible!

SELF-QUIZ

Self-Study Unit #4

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. According to the concept of balanced pricing, an item with a slow turnover should have a (higher ... lower) % of margin than an item with a rapid turnover. (I-4)

2. (TRUE or FALSE) Total Dollar Sales minus Cost of Goods Sold equals Operating Profit. (I-6) ______________

3. Mark an "F" for the following types of expenses which are normally considered fixed expenses and a "V" for those which are considered variable expenses. (I-6 and I-7)

_____ Store supplies

_____ Rent

_____ Depreciation

_____ Advertising

_____ Insurance

_____ Trading stamps

_____ Licenses

_____ Promotion expenses

4. (TRUE or FALSE) The Break-Even Point for a period is the point at which Gross Profit already realized is sufficient to cover all expenses for the remainder of the period. (I-12) ______________

5. Handbills and circulars are less widely used than newspapers for supermarket advertising, mainly because handbills and circulars: (II-5, S-20)

(a) are more expensive than newspapers.

(b) provide "buckshot" coverage.

(c) are unpopular with some consumers.

(d) permit less flexibility than newspapers.

6. For maximum effectiveness, special sales are usually built around a central theme, either ______________ or ____________________ in nature. (II-8, S-36)

7. Like short-term promotions (such as special events and special sales), long-term promotions serve to attract customers into the store. However long-term promotions have another important effect, in that they tend to: (II-9, S-41)

   (a) help increase sales of higher-priced items.

   (b) encourage regular patronage.

   (c) add to the store's prestige.

   (d) facilitate the check-out process.

8. (CIRCLE THE CORRECT ANSWER) According to store tests, fully-stocked shelves produce (greater ... lower ... about the same) sales compared to half-empty shelves. (II-14, S-62)

9. (TRUE or FALSE) According to studies of customer traffic patterns, most shoppers shop the entire store and usually buy at least one item from each department. (II-15, S-67) ______________

10. (CIRCLE THE CORRECT ANSWER) According to store audits, sales of advertised items are (greater ... lower ... about the same) if special displays of the items are used. (II-17, S-74)

11. Which has been found to be the best location for a special display? (II-20, S-83)

    (a) Front of the store, near the entrance and check-outs.

    (b) Center of the store.

    (c) Rear of the store, near the Meat Department.

12. (TRUE of FALSE) Multiple pricing encourages shoppers to buy larger quantities, thus enabling a supermarket to sell more to each customer. (II-23, S-95) ______________

13. (TRUE or FALSE) Mark-downs of over-stocked items and sale items have little effect on gross profit because they always result in greater unit sales of the items. (II-27, S-106) ______________

14. Why is it to a store's advantage to support consumer promotions and stock special "deal packs" put out by manufacturers, even though it might require some extra time and effort on the store's part? (III-3)

____

____

15. An item costs 20¢ and normally sells for 25¢: (IV-1)

- What is the mark-up? ____¢
- What is the margin? _____%

16. An item costs 18¢ and is marked up to 24¢: (IV-1)

- What is the mark-up? ____¢
- What is the margin? _____%

17. An item costs 25¢ and sells for 3/$1.00: (IV-1)

- What is the mark-up? ____¢
- What is the margin? _____%

18. (TRUE or FALSE) Suppliers' discounts and allowances have the effect of reducing the cost of goods sold by a supermarket. (IV-3) __________

19. (TRUE or FALSE) Instead of using money on hand to take advantage of suppliers' cash discounts, it would generally be better for a store to deposit this money in a savings institution where it would draw about 4% interest annually. (IV-5) __________

20. (TRUE or FALSE) Generally, the precautions that must be taken to prevent shortages in in-coming shipments and deliveries, require more time and therefore are more expensive than the extent of any loss. (IV-7)

____

21. Which of the following is the major cause of damaged and broken goods in a supermarket? (IV-8)

(a) Items dropped during stocking of shelves

(b) Items broken or crushed in shopping carts

(c) Items dropped by customers

(d) Items damaged by cutter blade during cutting of cases.

22. (TRUE or FALSE) Proper stock rotation procedures dictate that new stock of an item should always be sold before stock on hand. (IV-9)

____

23. (TRUE or FALSE) Generally, it is possible to detect potential shoplifters by their shabby clothing and overall unkempt appearance. (IV-10)

____

24. (TRUE or FALSE) Most shoplifters in a supermarket are professional thieves. (IV-10) _______________

25. (TRUE or FALSE) Heat, power, and light expense and the cost of store supplies represents such a small part of a supermarket's expenses that they offer little opportunity for improving profit through more effective control. (V-3) _______________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

only Copy

Self-Study Unit 5

The Supermarket Customer

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #5

In the previous Units, we have had a broad view of the retail food industry in general, and the supermarket in particular. Now, we will focus our attention on the key person toward whom all the efforts of nearly two million people in the industry are directed -- the customer.

All things in a supermarket are, or should be, geared to the customer. Before we can fully understand the operations of a supermarket, then, we must first understand the customer.

In this Unit, we will first study customers as human beings. Then, we will see some pertinent facts about supermarket customers specifically -- their shopping habits and their attitudes toward the stores they patronize. And finally, we will attempt to relate all this to the day-to-day operations of a supermarket, with special emphasis on ways of providing customer-centered service. Specifically, in this Unit, we will study:

Section I. THE PSYCHOLOGY OF THE SHOPPER

- A. Basis of Human Behavior
- B. Basic Human Motivations
- C. Analysis of a Purchase
- D. The Person as a Customer

Section II. PROFILE OF A TYPICAL SUPERMARKET CUSTOMER

- A. Vital Statistics of the Typical Shopper
- B. Customer Shopping Habits
- C. Customer Attitudes

Section III. CUSTOMER-CENTERED SERVICE AND THE SUPERMARKET

- A. What is Customer-Centered Service?
- B. Make Each Customer Feel Important
- C. Show a Special Interest in Each Customer's Needs
- D. Handle Customer Complaints with Tact
- E. Maintain a "Customer Is Always Right" Outlook
- F. Take Pride in Doing the "Little Things" Right
- G. Always Display a Friendly, Helpful Attitude

I. THE PSYCHOLOGY OF THE SHOPPER

There is no such thing as a "customer", pure and simple. Every customer is a complex network of thoughts, emotions, experiences, habits, and impulses. He or she is son or daughter, husband or wife, parent ... handsome or pretty, ugly or plain, or in-between ... young, middle-aged, or old ... happy or miserable ... rich or poor ... contented or troubled ... loving and hating ... working and dreaming ... winning and losing in the game of life.

In short -- every customer is first and foremost a person, a human being. As such, there are millions of him and her ... and thousands of times in the life of each of them, the characteristics of the human being fade into the background and those of the customer come to the forefront. Yet, never in the course of a shopping trip are the human characteristics completely discarded. Every customer is still a person, first and foremost!

Before we can understand people as customers, then -- in order to serve them better -- we must first understand people as individuals.

BASIS OF HUMAN BEHAVIOR

Underlying all human activity is the single indisputable fact that people are basically self-centered. Although they tend to sympathize with others and are usually considerate of their feelings, the fact remains that people are most interested in themselves -- their own needs and desires, their own welfare and appearance, their own hopes and ambitions, their own successes and failures.

Isn't it true? -- the birdie YOU got on the golf course last summer is more interesting to talk about than the hole-in-one the other fellow got ... and the toothache that kept YOU awake last night distressed you more than the hurricane in Japan or the earthquake in South America you read about in the newspaper the next morning. And the same applies to each of us!

This interest in self can easily be demonstrated. For example:

- Approach someone who is busy with some task, and try to get his attention. If you ask some neutral question, he'll probably answer and continue with what he's doing. But if you make some remark about him, chances are he'll immediately stop what he's doing to hear you out. (If someone came up to you and said "I was talking to your boss about you yesterday and he said something about you that got me to thinking" -- wouldn't you give him your complete attention immediately?)

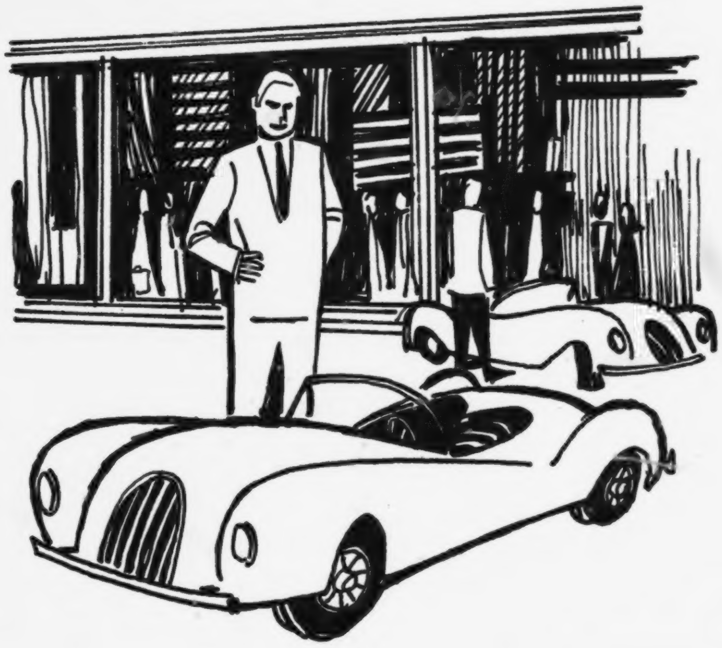
- Show someone a group picture or a list of names in which he appears and watch his eyes. Chances are, his eyes will wander until he locates his picture or his name, and then they'll pause there. (According to the telephone company, the first thing that most people do when they receive a new phone directory is look up their own name!)

The point is -- in considering why people act as they do, we must keep in mind that the greatest single motivation is self.

BASIC HUMAN MOTIVATIONS

Psychologists tell us that any action is understandable and explainable in light of the person's reasons for performing it. Thus, in studying human behavior, psychologists attempt to discover the motivation or the underlying reason for a given action ... the WHY which produces the WHAT.

The dictionary defines "motive" as "any idea, need, emotion, or organic state that prompts a person to an action; that within the individual, rather than without, which moves him to act". Thus, all human actions have as their origin some inner need or desire ... and external objects are merely the instruments or the means by which people satisfy their needs and desires.



In many cases, a person is not even aware of his real reason for a particular action. For example: let's say that a person has decided to buy a new car. On the face of it, it would seem that the choice of a particular make and model was motivated by the car itself. However, psychologists would say that the choice was motivated by some inner drive -- the person's desire for comfort or prestige or possession or beauty or whatever -- and the car merely served as the occasion or opportunity for satisfying that desire.

Specifically, what makes people do the things they do? Obviously, no two people are alike. However, there are a number of basic needs and wants which are common to nearly everyone. Though these are essentially the same for all people in the same social environment, they vary in intensity for different individuals ... and different individuals satisfy them in different ways.

All motivations -- the many needs, wants, desires, cravings, and impulses which motivate people to action -- can be grouped by type into five major categories. These, in the order of their intensity, are:

1. Physical.

The body's need for food, water, air, exercise and sleep, and the desire to avoid pain and discomfort -- these are the most universal and the most basic of all human motivations. A person must satisfy these needs in order to carry on the bodily processes which sustain life. These physical needs are basic to self-preservation.

2. Security.

The term "security" usually implies material things -- life insurance, good wages, retirement benefits, home ownership, savings, accident and health insurance, and so on. Although such things give a person peace of mind, financial security is not enough. People also must have emotional security.

- Emotional security is a person's knowing that he is needed by others at home and at work -- his friends, his family, his community, his employer.

- Emotional security is a person's confidence in his own abilities and in his capacity for success, happiness, and personal fulfillment.

- Emotional security is mutual trust -- a person's believing in others and knowing that they believe in him.

Emotional security is all this and much more. It is a difficult thing to describe, but easy to detect in a person. Without it, no person is a complete human being.

3. Recognition.

Many people today feel unimportant, unneeded, and unwanted. And it's no wonder! In our fast-paced society, others (people and businesses alike) are often too hurried to pay much attention to the person as a unique individual. For example: as more and more businesses have installed electronic equipment, the status of the individual has been greatly reduced. (Just look at a charge plate from your local department store or service station -- chances are, the account number is much larger and more prominent than the person's name!)

The end-result for many people has been a growing feeling of anonymity, a loss of personal identity, a withering away of a person's sense of individuality ... and less and less opportunity to satisfy his basic desire for recognition. Not recognition in the sense of being a celebrity. Rather, the recognition by others of his importance and his dignity as a person. This desire for recognition is one of man's strongest motivations.

4. Social.

Most people gain great satisfaction in going outside themselves, rather than being continually self-centered. They NEED the company and the friendship and the acceptance of others. So intense is this need that the worst punishment short of death in our civilization is solitary confinement -- being cut off from association with others!

A person's need for the friendship of others is a strong motivation for action. When he does something in a spirit of kindness and unselfishness, he does it because he respects others as individuals, not as tools for his own advancement or his own pleasure. The personal pleasure he gains from being with others and doing things for others is often its own reward.

5. Self-Fulfillment.

Self-fulfillment is the inner feeling of enjoyment and accomplishment that a person experiences from a task well done ... whether or not anyone else is even aware of his deed. It is the personal satisfaction a person feels when he has created something or achieved something worthwhile. This is perhaps the highest possible motive -- to do something for the pure joy of doing it, without any expectation of reward or recognition by others.

* * * * * * *

Physical ... security ... recognition ... social ... self-fulfillment -- these are the main-springs of man, the categories of human needs that stimulate people to act. Although they are present in all people, their strength varies from one moment to the next and from one person to the next. Of the five, a person's physical needs are the most urgent and the most common motivations -- followed by security, recognition, social, and self-fulfillment in that order.

According to many psychologists, only one or two of these motivations are activated at any one time. Thus, in attempting to uncover the reason for a given action, the psychologist will often begin by trying to determine if the action was stimulated by some physical need of the person performing it. If he does not discover the motivation in the satisfaction of some physical need, he will then move up the scale to security, then recognition, social, and self-fulfillment until the person's true motivation is determined.

This same approach can be applied in attempting to understand customers and their buying motives while shopping in the supermarket.

ANALYSIS OF A PURCHASE

The basis of most human actions is the individual either consciously or unconsciously satisfying some need or want. This applies to the customer in a supermarket as well as to you or me.

In buying anything, the customer's mental processes, reduced to their simplest elements, are:

need or want → solution → purchase → satisfaction

The key link in this process is the solution. At this point, two decisions must be made:

- What type of product or commodity can best satisfy?
- What brand of that product can best satisfy?

In many cases, the particular need or want itself suggests the product and sometimes even the brand -- especially if the person has frequently used a brand of that product before and has obtained satisfaction. For example, the idea "family wash" may immediately suggest to a person a specific brand of laundry soap or detergent. However, if no definite buying habit has been established and if there is no obstacle to prevent the purchase (such as lack of money), the customer's thought processes would be as follows:

need or want → product → brand → purchase → satisfaction or dissatisfaction

As mentioned, this is not the case in every buying situation -- often, buying habits have been established. Even where no buying habits have been established, the buyer might expect satisfaction because of recommendations by friends or because of the advertising for a particular brand. However, this is no guarantee of satisfaction -- conflicting recommendations and conflicting advertising for different brands often leaves the person right back where he started, in a position where he must decide which type of product and which brand will provide maximum satisfaction.

Let's see what influences that decision.

THE PERSON AS A CUSTOMER

For each customer need and want, there are several different types of products and many competing brands capable of providing satisfaction. The reasons why a shopper chooses one type of product and one brand over others are often not obvious. The customer is often unaware of the real reason for his choice. If he had to explain, he would probably say, for example, that his chosen brand of cigarettes tastes better ... or his favorite type and brand of salad dressing pours better ... or his usual make of clothes wears longer. According to psychologists, these are merely surface reasons that the buyer invents to strengthen his image of himself.

What affects a person's buying decision? Why does he select one type of product or one brand over others? Various factors that could come into play are the person's senses, his emotions, his habits, and his thought processes.

- Senses. A buying decision is often based on the customer's reacting to the item through his various senses. Color, shape, taste, smell, touch, sound -- any or all of these may be key, even though the person may not even be aware of their effect on his decision to buy.

- Emotions. People's emotions are often brought to bear on what they perceive with their senses. For example: a display of fancy chocolates with a sign "Remember Mom on Mother's Day" can trigger a person's emotions to the extent that he buys right then and there.

- Habits. Group and social habits often influence a person's buying decision. These result from a close association of a number of people wherein the individuals develop similar prejudices and similar ways of thinking and acting which affect the buying decisions of each member of the group. The major groups include: family groups; geographical groups; economic groups; ethnic and religious groups; and social groups.

- Thought processes. The use of mental capacity is another factor which affects a person's buying decisions. Thought processes include memory, association, imagination, and reason.

  -- Memory. Memory plays an important part in buying -- if a person has used a product or brand and enjoyed it, he will probably buy it again.

  -- Association. Association is the tendency to relate or tie together different parts of some situation or idea or event which a person experienced, with the result that when he becomes aware of any one part, the other part or parts also come to mind.

Associations also have an important role in buying decisions. The process of association is the reason television sponsors attempt to identify with a particular show that is successful. The reasoning is -- whenever people recall an incident on the show, they'll think of the sponsor's product ... and, whenever they see the sponsor's product, they'll think of the pleasure they've received from the show and they'll be favorably disposed toward the product.

-- Imagination. Imagination combines elements of memory and association, but goes even beyond. Whereas memory is recalling past events or ideas, imagination is recalling past events or ideas in new relations or new combinations. Imagination combines a variety of associations which have entered the mind at different times, and puts them into new forms.

Imagination, too, plays a part in buying. For example, a shopper imagines the words of praise and recognition she'll receive when she serves some fancy new dessert to her bridge club next Friday ... and she buys the necessary ingredients especially for the occasion.

-- Reason. Rational buying is the conscious weighing of one object against another and comparing the relative qualities of each before making a choice. It is coldly objective, cautious buying wherein the buyer considers fully the matter of value, price and quality.

Memory, association, imagination, and reason -- these thought processes together with the senses, emotions, and habits comprise the major influences in all buying decisions. One or other of them can be isolated and identified as the dominant influence whenever anyone buys anything -- whether it be a new home, a car, or a box of cake mix.

With this understanding of why and how people buy, we can better understand the typical supermarket shopper and what she expects when she goes shopping.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. PROFILE OF A TYPICAL SUPERMARKET CUSTOMER

VITAL STATISTICS OF THE TYPICAL SHOPPER

	S-1	In Unit #3, we saw some pertinent facts about the typical supermarket. Now, we will take a look at some pertinent facts about the typical supermarket customer. According to a recent study, the typical supermarket _________ is a woman shopping alone.
R-1 customer	S-2	About half of the customers in a supermarket are women shopping alone. Obviously, then, *(men ... women)* account for most of the sales in a typical supermarket. (CIRCLE THE CORRECT WORD)
R-2 women	S-3	If you studied the shopping groups in a supermarket on any given day, you would probably find that the majority of the customers are women shopping alone -- about ________ (WHAT PORTION?). The remaining shopping groups are: women with their children ... women with their husbands ... men alone ... and family groups, in that order.
R-3 half	S-4	(TRUE or FALSE) Typically, supermarket shopping is a "family activity" wherein husband and wife go shopping together or with their children. ___________

R-4 False	S-5	Studies indicate that the break-down of shopping groups in a typical supermarket can be ranked as follows: Women shopping alone Women with children Women with husbands Men shopping alone Family groups Of every one hundred shoppers in a typical supermarket, about ________ (HOW MANY?) are women shopping alone.
R-5 half (or 50)	S-6	(TRUE or FALSE) For the most part, women do the supermarket shopping, either alone or with their children. ________
R-6 True	S-7	About half of a supermarket's customers are *(men ... women)* shopping alone. About half of a supermarket's customers are 25 to 40 years old.
R-7 women	S-8	Of the shoppers in a typical supermarket, about half are ____ to ____ years old ... about one-third are between 41 and 60 years old ... and the remainder are under 25 or over 60 years old.
R-8 25 (to) 40	S-9	Studies indicate that the break-down of customers' ages in a typical supermarket can be ranked as follows: 25 to 40 years old 41 to 60 years old under 25 years old or over 60 years old About half of a typical supermarket's customers fall in the ____ to ____ age bracket. About half the customers are shopping for a family of 3 or 4 persons.

R-9
25 to 40

S-10 About half of a typical supermarket's customers shop for a family of ___ or ___ persons. The remaining customers are shopping for: a family of 1 or 2 persons ... a family of 5 or 6 persons ... and a family of 7 or more persons, in that order.

R-10
3 or 4

S-11 Studies indicate that the break-down of family size of customers shopping in a typical supermarket can be ranked as follows:

- 3 or 4 persons
- 1 or 2 persons
- 5 or 6 persons
- 7 or more persons

People shopping for 3 or 4 persons represent about ________ (WHAT PORTION?) of the supermarket's total number of customers.

R-11
half

S-12 We can now draw a composite picture of the typical supermarket customer as being a *(man ... woman)* of between ____ and ____ years of age who is shopping for a family of ________ (HOW MANY?) This composite will help us better understand the shopping habits of the typical supermarket customer.

R-12
woman
25 (to) 40
3 (or) 4

CUSTOMER SHOPPING HABITS

S-13 A study of customer shopping habits will enable us to KNOW the customer better in order to SERVE her better. The customer's loyalty to a given store, the frequency of her shopping trips, the time she spends shopping, and the manner in which she does her shopping -- all these are aspects of customer _ _ _ _ _ _ _ _   _ _ _ _ _ _ we will study here.

R-13 shopping habits	S-14	1. Customer Loyalty In studying the supermarket customer's ____________ __________, one fact that stands out is that the typical shopper favors one store, but patronizes one or more other stores regularly.
R-14 shopping habits	S-15	(TRUE or FALSE) The typical supermarket shopper buys all her food needs at one store. ________
R-15 False	S-16	In general, the typical supermarket shopper *(does...does not)* do the bulk of her shopping at one store and *(does...does not)* also patronize other stores regularly. (CIRCLE THE CORRECT WORDS
R-16 does does	S-17	It is common for supermarket shoppers to do the bulk of their shopping at one store, but to patronize one or more other stores *(regularly ... occasionally)*. The typical supermarket customer has been patronizing the same stores for 2 years or more.
R-17 regularly	S-18	Out of every 100 shoppers who walk into a supermarket, a large percentage have been regular customers of the store for __________ (HOW LONG?). On the other hand, 2 are "first time" customers at that store.
R-18 2 years or more	S-19	If you polled the shoppers in a supermarket on any given day, you would probably find that many had been regular customers of the store for 2 years or more ... and that about ____ out of every 100 were "first time" customers at that store.

R-19 2	S-20	A supermarket has a great opportunity to develop loyal customers every day, in view of the fact that ______________ (WHAT PORTION?) of the shoppers in the store at any given time are likely to be "first time" customers at that store.
R-20 2 out of 100	S-21	In analyzing the supermarket customer's shopping habits, then, we find that most customers are regular customers of long standing -- ______________ (HOW LONG?) -- and that ______________ (WHAT PORTION?) are "first time" shoppers at the store. We also find that the supermarket customer will travel a considerable distance to reach her favorite store.
R-21 *2 years or more* 2 out of 100	S-22	An analysis of the supermarket customer's ______________ ____________ reveals that a typical supermarket customer will travel a considerable distance to reach her favorite store, instead of shopping at the store closest to her home.
R-22 shopping habits	S-23	(TRUE or FALSE) Most shoppers do the bulk of their shopping at their nearest supermarket. _______
R-23 False	S-24	In order to shop at her ________________ supermarket, the typical customer drives some distance -- often two miles or more. On the way, she passes at least one other supermarket.
R-24 favorite	S-25	Many customers have patronized the same stores regularly for ______________ (HOW LONG?) and travel a considerable distance to shop at their favorite store, passing at least one other store on the way. Partly because of the distance, nearly half of the shoppers make only one shopping trip each week.

R-25
2 years or more

2. Number of Weekly Shopping Trips

S-26 Nearly half of the supermarket's customers make only one shopping trip each week. Judging from what we saw in an earlier Unit, this would probably be on which day of the week?

(a) Monday, Wednesday, or Friday
(b) Thursday, Friday, or Saturday
(c) Tuesday, Thursday, or Saturday
(d) Wednesday, Friday, or Saturday

R-26
(b)

S-27 Of all the shoppers served by a supermarket in a week's time, ____________ (WHAT PORTION?) make only one shopping trip each week -- usually on Thursday, Friday, or Saturday.

R-27
nearly half

S-28 It's not surprising to see a shopper approaching the check-out counter with her shopping cart full-to-overflowing, because nearly half a supermarket's customers shop *(only once...twice or more)* each week.

R-28
only once

S-29 Nearly ________ of a supermarket's customers make only one shopping trip each week. The remaining customers make three trips ... four or more trips ... and two trips, in that order.

R-29
half

S-30 Studies indicate that the break-down for the number of weekly shopping trips to the supermarket can be ranked as follows:

- One trip
- Three trips
- Four or more trips
- Two trips

Nearly half the customers make ________________ (HOW MANY?) shopping trips a week.

R-30 one	S-31	In analyzing the supermarket customer's shopping habits, then, we find that most customers make more than one shopping trip each week, although a large number -- ______________________ (WHAT PORTION.) -- make only one trip each week. We also find that the typical shopper takes about half an hour to do her heavy shopping.
R-31 nearly half		3. Time and Money Spent
	S-32	The typical supermarket shopper spends about ____________________ (HOW LONG?) doing her heavy weekend shopping. About half of this time is spent in shopping the "perishables" departments (Meat, Produce, Dairy, Bakery, and Frozen Foods), and the rest of the time is spent shopping the Grocery Department and at the check-out.
R-32 half an hour	S-33	For a typical supermarket shopper, it takes about half an hour to do the heavy weekend shopping. __________________ (WHAT PORTION?) of this time is spent in the "perishables" departments, and __________________ (WHAT PORTION?) is spent in the Grocery Department and at the check-out.
R-33 about half about half	S-34	In the ______________________ (HOW LONG?) that it takes a shopper to do her heavy weekend shopping, she buys about $10 to $15 worth of merchandise.
R-34 half an hour	S-35	On a typical weekend shopping trip, the supermarket customer spends about $____ to $____ in the half hour or so she's in the store. In general, men shoppers take less time to do the weekend shopping than women shoppers; they also spend less.

R-35
$10 (to) $15

S-36 (TRUE or FALSE) Generally speaking, men are less familiar with the layout of a supermarket than women, and they tend to be more impulsive than women. As a result, it takes men longer to do the shopping than women and they spend more money in the store. ___________

R-36
False

S-37 There is a relationship between a shopper's sex and age, and the time and the amount of money spent in shopping. Shoppers in the age group 19 to 30 spend more time and money than those in other age groups. Similarly, women spend *(more... less)* time and money than men.

R-37
more

S-38 Shoppers in the 19 to 30 age bracket take *(a longer time ... less time)* to do their heavy shopping than do older, more experienced homemakers in the 31 to 50 age bracket or over 50. Not surprisingly, shoppers in the 19 to 30 age bracket *(spend more...spend less)* money than the others.

R-38
a longer time
spend more

S-39 Studies indicate that the amount of time and money spent on a typical weekend shopping trip can be ranked as follows according to shoppers' ages:

- 19 to 30 age group
- 31 to 50 age group
- over 50 age group

Younger shoppers take a _____________ time to do their heavy shopping and spend _________ than older shoppers. The same is true of shoppers who use a shopping list.

R-39
longer
more

S-40 Only about 1 out of every 3 shoppers uses a shopping list. However, as a rule, those shoppers who DO use one take *(more... less)* time to do their shopping and spend *(more ... less)* money than those who don't use one.

R-40 more more	S-41	Instead of using shopping lists, many shoppers use the store itself as a reminder of items to buy, as evidenced by the fact that only about ___ out of every ___ shoppers uses a shopping list.
R-41 1 (out of) 3	S-42	It would seem that a store would do well to encourage the use of shopping lists (for example, by distributing printed lists to shoppers) because shoppers using lists tend to take longer than those not using them and spend more. However, only about ____________________ (WHAT PORTION?) of the shoppers use a shopping list.
R-42 1 out of 3	S-43	Although only about ____________________ (WHAT PORTION?) of the shoppers use shopping lists, those who do use lists take ____________ to complete their shopping and they spend ________ than those who don't use lists.
R-43 1 out of 3 longer more	S-44	Before we move on to the subject of customer attitudes, let's summarize some of the key points we've studied about the customer's shopping habits: • Generally, home-makers *(do ... do not)* regularly shop at the store closest to their homes. • Nearly half of a supermarket's customers make *(only one ... four or more)* shopping trips each week. • There *(is ... is not)* a direct relationship between a shopper's age, the time spent in shopping, and the amount of money spent. • Most supermarket shoppers *(do ... do not)* use shopping lists.

R-44 do not only one is do not	S-45	As part of a recent study, shoppers were asked why they shop at a particular store. Their answers are indicative of customer __________________ toward many aspects of a store's operations. Of all the people interviewed, almost 3 out of 4 said they patronize the store they do because of the store employees.
R-45 attitudes		1. Why People Shop Where They Do
	S-46	The reasons people give for shopping at a particular store reflect some important ________________ __________________ toward many aspects of a store's operations. In answer to the question "Why do you shop at this store", almost 3 out of every 4 people interviewed replied "because of the store ___________________".
R-46 customer attitudes employees	S-47	We saw in Section I that the need for recognition and social acceptance are strong motivations. Thus, friendliness, courtesy, and a helpful, pleasant attitude on the part of store personnel can mean the difference between success or failure for a supermarket. This is borne out by the fact that __________________________ (WHAT PORTION?) shoppers say that one important reason for shopping where they do is because they like the people who work in the store.
R-47 almost 3 out of every 4	S-48	A warm, friendly store atmosphere -- as reflected in each and every member of the store staff -- plays an important part in a shopper's choice of a store to patronize regularly. In fact, almost 3 out of every 4 shoppers say they shop where they do partly because of the ___________ __________________.

R-48 store employees	S-49	When asked "Why do you shop at this store?" almost ___ out of every ___ shoppers mentioned the friendliness of the store employees as one important reason.
R-49 3 (out of) 4	S-50	In recent studies, almost ___ out of every ___ shoppers said the friendly attitude of the store ______________ is one important factor in their choice of a store to patronize. In fact, according to these studies: "When customers think highly of store personnel, they are inclined to say that merchandise selection is greater, prices lower, stamps more valuable, services better, meats and produce of better quality -- and even point out that aisles are wider than in other stores almost identical to the stores they patronize."
R-50 3 (out of) 4 employees	S-51	According to recent studies, the biggest factor in a shopper's choice of a store to patronize is the store ______________, mentioned by almost 3 out of every 4 shoppers who were asked "Why do you shop at this store?" Over half also mentioned "the wide selection of products and brands".
R-51 employees	S-52	The second most frequently-mentioned reason for shopping at a particular store is "the ________ ______________ of products and brands", mentioned by ______________ (WHAT PORTION?) of the shoppers as an important factor in their choice of a store to patronize.
R-52 wide selection over half	S-53	A wide selection of ______________ and __________ is an important factor in a shopper's choice of a store to patronize, but not nearly as important as the store ______________.

R-53 products (and) brands employees	S-54	Over half of the shoppers interviewed in a recent study said they prefer one store over another partly because of the ________ selection of ________________ and ____________.
R-54 wide (selection of) products (and) brands	S-55	What do shoppers like about a store that makes them patronize the store regularly? Of a large group of shoppers interviewed, ________________ (WHAT PORTION?) mentioned the store employees as a factor ... _______________ (WHAT PORTION?) mentioned the ________ __________________ of products and brands ... and about half mentioned mentioned the trading stamps given at the store.
R-55 almost 3 out of 4 over half wide selection	S-56	A wide selection of _______________ and ____________ is an important factor in a shopper's selection of a supermarket to patronize. The trading stamps given at the store is also a factor for __________________ (WHAT PORTION?) of the shoppers.
R-56 products (and) brands about half	S-57	When shoppers were asked why they patronize a certain store, about half mentioned _______________ ____________ as a factor in their decision. Almost half said "because of the Meat Department".
R-57 trading stamps	S-58	Of the six major departments in a typical supermarket, the ________ Department has the greatest influence on a shopper's decision regarding where to shop. Next is the Produce Department.
R-58 Meat	S-59	In reply to the question "Why do you shop at this store?", ____________________ (WHAT PORTION?) mentioned the Meat Department as a major reason. About one-third mentioned the Produce Department.

R-59 almost half	S-60	For almost half the shoppers, the ________ Department is an important factor in the choice of a supermarket to patronize. For about one-third of the shoppers, the ______________ Department is an important factor.
R-60 Meat Produce	S-61	We can see the importance of the Meat and the Produce Departments in the fact that ______________ (WHAT PORTION?) of the shoppers feel that meats are an important factor in the choice of a store ... and ____________________ (WHAT PORTION?) of them feel that produce is an important factor.
R-61 almost half about one-third	S-62	In answer to the question "Why do you shop at this store?": Almost 3 out of every 4 shoppers mentioned the store ____________________; Over half mentioned the ________ ____________ of products and brands; About half mentioned trading stamps; Almost half mentioned the ________ Department; and About one-third mentioned the ______________ Department. Surprising as it may seem, only about 1 out of every 5 shoppers mentioned the prices at the store!
R-62 employees wide selection meat produce	S-63	Price is important enough to be a determining factor in the choice of a store to patronize for only about 1 out of every ___ shoppers.

R-63 5	S-64	Either price is unimportant to shoppers or all supermarkets are thought to offer "about the same" prices. Whatever the reason, the fact remains that only ____________________ (WHAT PORTION?) of the shoppers cite price as a factor in their choice of a supermarket.
R-64 about 1 out of every 5	S-65	Seemingly, shoppers are less price-conscious than we might be led to believe. This conclusion can be drawn from the fact that only about 1 out of every 5 of the shoppers interviewed in a recent study said __________ is a factor in their choice of a store. This conclusion is also borne out in further research on shoppers' price-awareness undertaken as part of the same study.
R-65 price		2. Shoppers' Price-Awareness
	S-66	As part of a recent study, shoppers were shown a list of sixty highly-competitive and frequently-advertised items. They were then asked to give the price of each item. Surprisingly few shoppers were able to give the exact __________ for most of the items.
R-66 price	S-67	In most cases, shoppers *(do...do not)* know the exa __________ of most items. However, they are able to guess rather closely in many cases.
R-67 do not price	S-68	When we consider that few shoppers know the exact prices of most items, we may be tempted to raise prices indiscriminately with the idea that "no one will know the difference". However, this may be a dangerous step, for many customers *(do...do not)* know the approximate price of many items.

R-68 do	S-69	When shoppers were shown a list of sixty popular items and were asked to give the price of each, relatively *(few ... many)* were able to give the exact price. However, *(few ... many)* were able to give the approximate price.
R-69 few many	S-70	(TRUE or FALSE) In general, shoppers are not aware of exact prices of items, but they are aware of the general price range of items. __________
R-70 True	S-71	Studies indicate that most shoppers *(do...do not)* know the exact price of most items, but *(do...do not)* know the approximate price of many items. Studies also indicate that: Customers who use specific items are more apt to know the exact price than non-users. Customers tend to UNDERestimate rather than OVERestimate the price of an item. Age, sex, and income level make little or no difference in customers' price-awareness.
R-71 do not do	S-72	We have now seen two facets of customer attitudes -- their reasons for shopping where they do, and their price-awareness. Now, let's look at another facet of ____________ ______________ -- why shoppers buy new items.
R-72 customer attitudes		3. Why Customers Buy New Items
	S-73	Most supermarket customers buy a new item on the average of once a month. The things that prompt customers to buy a ______ ________ give us some indication of how customers shop the supermarket.

R-73 new item	S-74	(TRUE or FALSE) The typical supermarket customer buys some new item each week. __________
R-74 False	S-75	On the average, supermarket customers buy a new item ____________________ (HOW OFTEN?). When asked why they bought a new item on a particular shopping trip, about half of the shoppers replied "Because of a special display or store feature of the item."
R-75 once a month (or monthly)	S-76	About half of the shoppers buying a new item do so because of a ______________ ______________ or store feature of the item.
R-76 special display	S-77	In about ________ (WHAT PORTION?) of the cases, when a customer buys a new item on a shopping trip, it is because of a special display or __________ ______________ of the item.
R-77 half store feature	S-78	Most frequently, customers who buy a new item on any given shopping trip do so because of a ______________ ______________ or __________ ______________ of the item. The next most common reason that shoppers buy a new item is because the item had been recommended by family or friends.
R-78 special display (or) store feature	S-79	Next to a special display or store feature of a new item, the biggest reason shoppers buy a new item is because the item had been ______________________ by family or friends.

R-79 recommended	S-80	The value of word-of-mouth advertising can be seen in the fact that about 1 out of every 5 shoppers buying a new item said their purchase stemmed from the recommendation by ____________ or ______________.
R-80 family (or) friends	S-81	Word-of-mouth advertising, in the form of a recommendation by ____________ or ______________, is a strong reason for shoppers to buy a new item. Actual advertising in magazines and newspapers and on radio or TV is also a strong reason for trying a new item.
R-81 family (or) friends	S-82	About 1 out of every 5 people who buy a new item do so because the item had been ______________________ by family or friends. About 1 out of every 6 do so because they saw or heard the item advertised.
R-82 recommended	S-83	Advertising can be a powerful force in getting shoppers to try new items, as evidenced by the fact that about 1 out of every 6 shoppers buying a new item saw or heard it ____________________.
R-83 advertised	S-84	The three most common reasons for shoppers' buying a new item are: - A special display or __________ ______________ of the item. - Recommendation by ____________ or ______________. - Having seen or heard the item _________________. Strangely enough, these are not necessarily the same reasons for shoppers' swtiching brands.

R-84
store feature
family (or) friends
advertised

4. Why Customers Switch Brands

S-85 The major reason for switching brands, as revealed in a recent customer survey, is a special display or store feature. This reason was given by one-fourth of the shoppers who switched brands. As we saw, a special display or store feature was the reason for about ________ (WHAT PORTION?) of the shoppers buying a new item.

R-85
half

S-86 One-fourth of the shoppers who switch brands do so because of a ____________ ____________ or ____________ ____________ of the brand bought. One-fifth switch because of the other brand's lower price.

R-86
special display
(or) store feature

S-87 The two major reasons for switching brands are: a special display or store feature, and lower ___________. The third most-frequently mentioned reason is that the shopper "just wanted a change".

R-87
price

S-88 Because of the desire for security, many people tend to stick with familiar, trusted brands. On the other hand, the desire for recognition and self-fulfillment causes people to want to experiment with something new. It isn't surprising, then, that the desire for variety is a common reason for shoppers to switch ____________.

R-88
brands

S-89 We can see how strong is the desire for variety in the fact that many shoppers who switch brands do so because they "just wanted a change". Thus, the success of a supermarket is closely tied-in with its ability to provide ____________ for its customers in the way of new products, new promotions, and new methods!

R-89
variety

S-90 The three most common reasons for shoppers' switching from their regular brand of a product to another brand are:

A ______________ ______________ or store feature of the other brand.

The other brand's __________ ____________.

The ____________ for ______________.

R-90
special display
lower price
desire (for) variety

END OF SECTION II

III. CUSTOMER-CENTERED SERVICE AND THE SUPERMARKET

In Section I, we covered some of the motivations that are basic to human behavior. In Section II, we saw some of the shopping habits and attitudes of supermarket customers. Now, let's explore some ways to apply this information in providing customer-centered service in order to promote greater customer satisfaction.

WHAT IS CUSTOMER-CENTERED SERVICE?

The most important person in a retail food store is the customer. A store's success depends wholely and entirely on its ability to satisfy its customers. If shoppers are dissatisfied about something, they need only go a little ways to find another store which might please them better. In short -- a store's customers hold the fate of the store in their hands!

In a very real sense, then, your store's customers are your real bosses. Your paycheck depends on them ... your job depends on them ... your progress with the company depends on them. In fact, your future depends on how well the store satisfies the needs of its customers!

Quality products, low prices, attractive surroundings, competent management, a convenient location -- these in themselves cannot produce SATISFIED customers ... customers who keep coming back week after week to do their shopping. As we saw, the store employees are the most important factor in a shopper's choice of a store to patronize! In other words, as far as the shopper is concerned, a store is only as good as its people. This applies to each individual employee ... because, in the minds of shoppers, EACH EMPLOYEE IS THE STORE.

Isn't it true? When you're out shopping for something, you expect prompt, efficient, friendly service. Sometimes, you don't receive it -- for example, a salesperson might make you wait unnecessarily or treat you in an abrupt manner or act as if you were keeping her from more important tasks. In such cases, you don't think "I'll never have her wait on me again." Instead, your reaction is "I'll never go back to that store again."

Or to use another example -- if you buy a radio and find that it doesn't work properly because of a loose wire, you don't usually blame the fellow on the production line whose job it was to solder that wire. Rather, you usually blame the company that sold you the radio.

The point is -- your impression of an entire company is based on your own experience with the company's personnel or its product. And so it is with the customers who patronize your store. They judge the store by what they see in YOU ... regardless of what your particular job might be!

Thus, providing customer-centered service is the job of EVERY member of the store staff, from the Store Manager down to the newest part-time stock clerk. It might seem that some store employees have a greater opportunity for providing service and building customer satisfaction simply because they have greater personal contact with customers -- check-out clerks and baggers, for example. However, even someone who doesn't come in direct contact with shoppers can also provide customer-centered service every minute of the working day.

For example -- the people who cut and wrap meat or trim and package produce rarely talk to shoppers. Yet, they play an important part in promoting customer satisfaction. How? In the way they perform their assigned tasks!

- Do they trim the proper amount of fat from the steaks?
- Do they wrap the roasts so that shoppers know what they're buying, or is the bad side hidden from view?
- Do they remove all the wilted leaves from the cabbage before weighing and wrapping it?
- Do they bag the peaches and apples so the ones that are visible are representative of the whole bag, or do they "bury" the over-ripe or bruised ones in the middle of the bag?

Certainly, the way that products are represented when displayed for sale is an important factor in customer satisfaction. How would a shopper feel if she bought an item and later discovered, when she opened it at home, that the quality was something less than she had been led to expect? How would YOU feel in the same circumstances?

Customer-centered service, then, is simply doing unto others as they would have you do unto them. Or, to put it another way -- providing customer-centered service is largely a matter of being mindful of the customer in performing every task!

MAKE EACH CUSTOMER FEEL IMPORTANT

A person who spends $10, $20 or more -- or even 50¢ -- of his or her hard-earned money in a particular store has a right to be treated as someone special ... someone who's important to that store. In fact, each customer should be made to feel that he or she is the store's most important customer!

What can you do to make a customer feel important to the store? Actually, there are many things you can do -- "little things" which don't require any additional time or effort on your part! Here are just a few ideas:

- Greet customers warmly. It stands to reason that a customer who has traded at a certain store week-in and week-out for a period of months or years may resent it if the store personnel treat her like a perfect stranger, as if they'd never seen her before. A friendly greeting -- at very least, a cordial "Good morning", or a smile and a nod -- tells the customer that you're aware she's alive, that you're glad to see her, and that you appreciate her shopping at your store. In short, a friendly greeting is recognition.

- Learn and use customers' names. A person's name is music to her ears. How much better a regular customer feels when she's greeted with "Good morning, Mrs. Green", instead of a simple "Good morning"! Using a customer's name is a good way of satisfying her need for recognition.

  Obviously, it isn't possible to learn and remember the name of every shopper who comes into a supermarket in the course of a week. However, whenever a customer cashes a check at the store ... or leaves an order to be delivered ... or "lays-away" a purchase for pick-up later ... or orders an item in advance, she must give her name. Then, make a point to remember her name and use it in the future -- it's a sign of respect and friendship.

- Compliment customers whenever possible. A brief complimentary remark can give a shopper a special "lift" because it makes her feel important. A compliment -- if it is sincere -- is not flattery. Rather, it is recognition. It lets the person know that you are aware of her as a person.

  What can you compliment a customer about? A new coat or a new hairdo are obvious examples. But there are many other things you can single out to compliment a customer about. For example, mentioning something nice about her children will usually make her glow with pride. Or, commenting on her choice of a roast or a steak will make her feel good because it's a tribute to her good judgement and good taste, and helps fulfill her need for recognition.

- Acknowledge the customer's presence. Tests show that a customer who is waiting to be served begins to get restless after just 15 seconds ... and, after a minute or so, she will usually consider going elsewhere for what she needs! However, these tests also indicate that, with a word of recognition by the clerk, a customer will often wait as long as three minutes before becoming restless ... and as long as five minutes before she'll consider leaving.

  The practical application here is obvious for anyone working in direct contact with customers -- at a check-out, or in a clerk-service Produce Department or Meat Department or Service-Deli or Baked Goods Department. If you're busy with one customer when another customer arrives, acknowledge her presence. A simple statement like "I'll be with you in a minute, Mrs. Jordan" or "You're next, Mrs. Dawson" will keep the newly-arrived customer from getting impatient while waiting to be served.

- Give the customer your full attention. Have you ever tried to talk to a person who's busy doing something else? If so, you know how frustrating it can be, and how insignificant you feel, when you realize later that you didn't "get through" to him because he wasn't listening!

  Often, a customer will mention that a certain item she's buying is for a special event of some kind -- a roast or vegetables for an important dinner, for example, or even hot dog buns for a back yard cook-out. And, she may ask about the quality or the freshness or the appropriateness of the item ... or the quantity she'll need for a certain-sized group ... or how to cook the item ... or what to serve with it. Whatever the situation, an inquiry of this kind should be your cue to take special pains to ensure that the item proves entirely satisfactory.

  Whenever a customer asks a question or makes an observation, always give her your full attention. Stop what you're doing at the time and hear her out -- other things can wait. Be a good listener. Remember -- in providing customer-centered service, it is important to find out what it is the customer wants, and promptly give her the little bit of assistance or attention that can build a loyal customer. Make her feel that you were glad to help. And never, never use this as an opportunity to burden the customer with your own observations, feelings, and personal problems!

These are just a few of the many things you can do in your everyday work to provide customer-centered service and build customer satisfaction by making the customer feel important.

SHOW A SPECIAL INTEREST IN EACH CUSTOMER'S NEEDS

A customer will find trading at a particular store far more enjoyable if she feels that she is receiving a little bit of special attention. Taking a special interest in each customer will also make your work far more enjoyable and more rewarding. The question is -- how do you find ways to do this?

The answer is -- BE OBSERVANT. Notice the people who patronize your store. Notice what they are buying. Notice their children. Notice their shopping habits. In short -- get to know them by observing them as they shop your store. If you keep your eyes and ears open as you go about your assigned tasks, you'll spot many opportunities to show an interest in their needs ... regardless of what your particular job is or what department you work in. Here are just a couple of possibilities:

1. Ask questions.

A well-phrased question indicates to a customer that you are really interested in her patronage and in her welfare ... and that you wish to be helpful, It gets her thinking and talking about herself and about things important to her. Some "thought-starters" of things you might ask a customer about are:

- Some previous purchase. No one can be expected to remember every item that every customer buys. However, when you have had a direct part in a customer's purchase of an item on a previous shopping trip -- for example, you may have suggested a product to her or helped her select an item -- then you can show your interest by inquiring about the purchase on her next visit to the store. For example:

  "Was that watermelon we picked out the other day as juicy as it looked?"

  "How was the roast you asked me to cut for you last week?"

  "How did you enjoy that new cake mix you bought last time?"

- Some current purchase. A friendly inquiry about some item the customer has selected on her shopping trip is also a sign of interest. For example:

  "How do you prepare avocados, Mrs. Brown?"

  "Six packages of frankfurters -- planning a cook-out?"

- The customer's family. Questions about a shopper's family need not be nosey or of a personal nature. And, they don't necessarily lead to a lengthy conversation with the customer. In fact, if you're stocking a shelf or building a display or bagging a customer's order, you don't even have to stop what you're doing to ask a question like this of a regular customer you know well:

  "How did Suzzy enjoy her first day at school?"

  "Has Johnny decided where he wants to go to college yet?"

  "Where's that little red-headed daughter of yours today?"

These are just a few examples of things you could inquire about to show customers that you're genuinely concerned about their needs and their welfare. By asking questions, you get the customer talking about things that interest her. And when this happens, she will invariably feel that her shopping trip was more enjoyable ... and she will likely become a satisfied, regular customer.

2. Make suggestions.

Shoppers are constantly looking for new menu ideas. If you're alert to the possibilities, you'll discover many opportunities to provide helpful suggestions every day -- regardless of the department you happen to work in. Your suggestions can not only build customer satisfaction, but help boost store sales besides! For example:

- Suggest tie-in items. When a shopper has selected an item, try to suggest another item that naturally goes with it. For instance, a customer in the Produce Department is trying to select a head of lettuce -- you might help her find a nice one, and also suggest a bunch of radishes or a cucumber to go with her salad.

- Remind customers of needed items. A customer will appreciate a reminder of some item she needs for a particular dish because you might save her a trip back to the store later. For instance, a shopper asks you to help her locate mozzarella cheese in the Dairy case -- you might remind her that if she's planning on lasagna, she'll need some ricotta too, and may also want some grated romano or parmesan to top it off.

- Suggest new items to try. A home-maker's desire for variety is so great that she'll usually thank you for calling a new item to her attention. For instance, a customer is busily scanning the laundry detergent section, as if she's undecided on which brand to buy, and you happen to be stocking a shelf nearby -- you might suggest a new brand ... or, if she's merely trying to find her regular brand, help her locate it and suggest a new fabric softener to use with it.

- Suggest new ways of using or preparing items. Experienced home-makers who have been cooking and keeping house for years welcome suggestions of new ways to use familiar items. For instance, a customer in the Meat Department asks you for round steak -- you might suggest a new recipe for preparing round steak by covering it with dried onion soup and wrapping in foil before cooking it in the oven.

The point is -- in the course of your working day, you'll be able to spot many opportunities to make suggestions to shoppers. Obviously, every customer won't act on your suggestions. However, the mere fact that you went out of your way to make the suggestions will indicate your interest and concern ... and will go a long way in building customer satisfaction.

> By asking questions and making helpful suggestions, you'll be demonstrating customer-centered service. As a result, customers will find that shopping at your store is not a chore, but rather a pleasant, rewarding experience. And you will get more enjoyment from your work, too!

HANDLE CUSTOMER COMPLAINTS WITH TACT

As a rule, most of the people who patronize your store are pleasant and easy to deal with. However, as in any retail business, you're bound to encounter an occasional customer who has a complaint. Perhaps her complaint is about a product she bought ... or some difficulty with another member of the store staff ... or an out-of-stock on a favorite item ... or because she can't find an item on the shelves ... or a new item she wanted to try hasn't been stocked yet.

Whatever the situation, a customer with a complaint is irritated -- often downright angry. So, it requires a great deal of tact and diplomacy to handle the situation properly, and at the same time maintain the good will of the customer.

Here are some tips to follow in handling a complaint:

- Let the customer talk. There's a peculiar psychology involved when a customer has a complaint to make. She doesn't want an argument. So, when a customer approaches you with a complaint, no matter how minor, let her explain the whole story. In fact, encourage her to talk. Then, try not to interrupt. Instead, listen attentively while she tells you what happened to make her unhappy. Make sure you completely understand her viewpoint, right or wrong.

- Reassure the customer. Often, a customer with a minor complaint merely wants a chance to "get it off her mind". In these cases, you'll usually satisfy the customer if you let her tell her story, then assure her that the complaint is justified and tell her you're sorry the incident occured which made her unhappy.

  In some cases, the customer will expect more than just a "shoulder to cry on". She'll expect you to take action to "make good" on her complaint or remedy the cause of the complaint. If possible, do so immediately, in the customer's presence. However, if it's something that can't be taken care of right then and there, assure the customer that you'll take care of the matter later.

  Many complaints of a more serious nature require further investigation -- cases of spoiled food which caused illness, for example. In these cases, indicate your eagerness to investigate. Tell the customer what you will do, and when. Then, be sure to get all the facts -- the customer's name and address, the date the incident occured, and so on.

  A word of caution about serious complaints which require further investigation. Don't imply that you or the store were at fault, especially if you doubt the validity or genuineness of the complaint. Instead, assure the customer that the matter will be investigated, but don't speculate as to the outcome. Never let the customer put you in the position of promising to rectify a mistake or compensate her for an error that may turn out to have been the customer's own fault ... or nobody's fault at all!

- Follow-through. If you have promised to do something later, by all means, do what you said you would. Then, report back to the customer at the time you said you would.

No one likes to have situations arise that result in complaints. However, when a customer does have a complaint, it should be viewed as an opportunity to make a better friend of that customer. A complaint well handled is remembered by the customer for a long time!

MAINTAIN A "CUSTOMER IS ALWAYS RIGHT" OUTLOOK

Occasionally, things will happen in any retail store that could cause loss of customer good will unless they are properly handled. Some of these "difficult situations" are caused by store personnel ... some are caused by customers ... and some are unavoidable accidents, pure and simple.

Here are some examples of difficult situations. As you read them over, be sure you know your store policy for handling such situations, and try to visualize how you would use tact and a "customer is always right" approach in each situation.

- A stock clerk is stocking shelves in the Grocery Department. As he's pushing the hand-cart down an aisle, it brushes against a shopper's legs causing a "run" in her stocking.
- A customer selects a roast from the Meat Department display case. As she's removing it from her shopping cart at the checkout, juice from the meat runs out the corner of the package staining the sleeve of her coat.
- A customer is loading an order into her car. As she lifts a heavy box of groceries from the shopping cart, the bottom of the box gives out, spilling the groceries all over and causing a number of jars to break.
- The driver for the dairy from which the store buys its milk is loading gallons of milk into the dairy case. He drops and breaks a bottle, splashing the child of a customer who was standing nearby watching him.
- It's raining outside, and a customer is leaving the store with a bag of groceries. Near the door, she slips and falls on the slippery tile.
- A customer takes a can of beans from a tall display. As she does so, the display totters and falls with a great racket. Everyone nearby stops and looks her way.
- A customer's young children are allowed to run free in the store, annoying other customers as they do their shopping.
- A customer has finished her shopping and is taking the items out of her shopping cart at the check-out. She drops a bottle of salad dressing. It breaks on the floor, splashing a customer ahead of her who's waiting for her order to be bagged.

Assume that you're the closest member of the store staff when a "difficult situation" occurs. What should you do? No specific answer can be given for each case, since individual store policy will dictate how some situations should be resolved (for example, cases where shopper's clothing has been damaged or stained). However, some general rules can be suggested:

- When there is a possibility of injury -- if a customer falls or if there is a chance she may have been cut by flying glass, for example -- check for injuries. If an injury has occured, take first-aid measures where possible. If the injury appears serious, do not move the injured person, but try to make her as comfortable as possible until a doctor can be summoned.

- When you or others are DIRECTLY responsible -- as in the case of the "run" in the customer's stocking and the broken gallon of milk -- apologize to the customer. Then, try to work out a satisfactory solution, in keeping with the store policy on such matters.

- When you or others are INDIRECTLY responsible, assume the responsibility. If you assume the blame yourself -- as in the case of the roast that stained the customer's coat and the box that gave in -- you'll ease the customer's anger. She'll realize that it wasn't REALLY your fault, but she won't have anyone else to blame. However, if you try to push the blame off on someone else, she'll probably harbor a resentment toward that person or, if she doesn't know him, toward the store in general.

- When the customer is DIRECTLY responsible -- as in the case of the broken bottle of salad dressing -- reassure the customer that no serious damage was done. Don't say it wasn't her fault, and don't assume the blame yourself. She knows she was at fault, and any effort to shift the blame could merely antagonize her. (Of course, don't directly blame her, either, because that would tend to put her on the defensive.)

- When the customer is INDIRECTLY responsible -- as in the case of the display that collapsed and the mother whose children were annoying other customers -- try to relieve the customer's embarrassment. Often, this is best done by treating the matter lightly, with humor. Otherwise you may cause the customer even greater embarrassment, instead of less.

Remember -- "difficult situations" are inevitable. However, whenever one occurs, your first concern should always be for the customer -- for her physical and emotional well-being -- regardless of who was responsible.

Often, it's the "little things" that determine whether a customer's shopping trip is a pleasure or a chore. Doing the "little things" right means going out of your way to do a bit more than the customer (or your boss) expects of you. Here are some examples, depending on what your particular job is:

- Accompany the customer to find a product she can't locate, or go get it for her, instead of just telling her which aisle she'll find it in.
- Help the customer put a heavy sack of potatoes or a watermelon in her cart, instead of letting her struggle with it.
- Take special care to mark all prices clearly, so no customer will be in doubt.
- Call out the weight of an item that you're weighing up for a customer, so she can tell if she needs a larger or a smaller quantity.
- Help the customer select the right-sized roast for her dinner party.
- Keep the hand-cart out of the way while you're stocking shelves.
- Hurry to the back-room if a customer asks for an item that's not on the shelves, so she doesn't have to wait.
- Call out prices of items as you ring them up, and count the customer's change aloud.
- Put fragile items on top when you're bagging an order.

These are some examples of "little things" you can do in providing customer-centered service.

> Often, customers aren't even aware of the fact that you've taken special pains to make shopping easier and more enjoyable for them. But you'll know, and you'll get far more enjoyment and satisfaction from your work!

ALWAYS DISPLAY A FRIENDLY, HELPFUL ATTITUDE

Friendliness is contagious. If you are friendly to customers, they will naturally be more friendly to you. However, the opposite is also true -- if you are glum or abrupt or discourteous to customers as you go about your work, they will be the same to you.

A friendly, helpful attitude is a frame of mind ... a cheerful, confident, willing frame of mind. It radiates from within and evidences itself in everything about you:

- Your personal appearance. Are your clothes neat and clean at all times? ... shoes shined? ... hands and nails clean? ... hair neat?
- Your posture. Do you stand straight? ... walk briskly? ... look and act alert as you go about your work?
- Your facial expression. Do you have a pleasant, interested expression? ... look people in the eye when talking to them?
- Your voice. Is your voice friendly and relaxed? Do you speak distinctly and loudly, with proper pace and pitch? ... use enough emphasis to bring your words alive?
- Your manners. Do you treat others politely and courteously? ... respect your word by doing what you say you'll do? ... listen attentively while others are talking?

A friendly, helpful attitude is essential in every employee if a store is to provide customer-centered service. In fact, it is this kind of an unselfish attitude -- on your part and on the part of every member of the store staff -- that can mean the difference between success and failure for the store as a whole!

> Look at it this way -- because of the intense competition in the retail food industry, competitive stores offer pretty much the same in the way of attractive surroundings, low prices, and good selection as your store offers. However, your store has an important asset that other stores do not have -- YOU and the service you provide.
>
> When all other things are equal, YOU can mean the difference between success and failure for your store!

SELF-QUIZ

Self-Study Unit #5

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (TRUE or FALSE) The real reason for a person's performing an action is usually obvious to others, but it is often not obvious to the person himself. (I-2) ____________

2. (TRUE or FALSE) Two people with approximately the same education and background usually react in the same way in a given situation. (I-2) ____________

3. List, in the order of their intensity, the five major motivations or categories of needs which stimulate people to act. (I-3 and I-4)

   a. ____________
   b. ____________
   c. ____________
   d. ____________
   e. ____________

4. (TRUE or FALSE) All five of the above motivations are present in all people at all times in the same degree of intensity. (I-4) ____________

5. What are the four factors which may come into play in a shopper's buying decision (that is, the decision of which item to buy to satisfy a particular need or want)? (I-6)

   - ____________
   - ____________
   - ____________
   - ____________

6. (TRUE or FALSE) When faced with a buying decision, a person will always fully consider relative value, price, and quality. (I-7) ____________

7. (CHECK ONE) If you polled the shoppers in a typical supermarket on any given day, you would probably find that about half the shopping groups were: (II-1, S-2)

☐ Family groups ☐ Women with their children

☐ Women shopping alone ☐ Men shopping alone

☐ Women shopping with their husbands

8. About have of a typical supermarket's customers shop for a family of __________ (HOW MANY?) persons. (II-2,S-9)

9. (TRUE or FALSE) The typical supermarket shopper does the bulk of her shopping at one store, but regularly patronizes one or more other stores as well. (II-4, S-14) __________

10. (TRUE or FALSE) Most shoppers pass at least one other supermarket on their way to their favorite store. (II-5, S-24) __________

11. (TRUE or FALSE) Nearly half of a supermarket's customers make only one shopping trip each week. (II-5, S-25) __________

12. (CIRCLE THE CORRECT ANSWER) Generally, shoppers in the 19 to 30 age bracket spend (more ... less) time and money in food shopping than those in the 31 to 50 or the over 50 age bracket. (II-8, S-37)

13. (CIRCLE THE CORRECT ANSWER) Most supermarket shoppers (do ... do not) use a shopping list. (II-8, S-40)

14. According to a recent study, almost 3 out of 4 shoppers patronize one store instead of another because: (II-10, S-45)

(a) the selection of products and brands is greater.

(b) the trading stamps given at the store are more valuable.

(c) the store employees are friendlier and more helpful.

(d) the meat and produce are better.

15. (TRUE or FALSE) In general, shoppers do not know the exact prices of most items, but they do know the approximate prices of the items. (II-14, S-67) __________

16. How often does the typical supermarket shopper buy a new item? (II-15, S-73) ____________________

17. (CIRCLE THE CORRECT ANSWER) The most common reason for a shopper's buying a new item on a given shopping trip is: (II-16, S-75)

(a) The customer saw or heard the item advertised, and decided to buy it on her next shopping trip.

(b) The customer was attracted by a special display or feature of the item while doing her other shopping.

(c) The item had been recommended to the shopper by her family or friends.

(d) The shopper "just wanted a change".

18. (TRUE or FALSE) The desire for variety is the most common reason for a shopper's switching brands. (II-18, S-87) __________

19. (TRUE or FALSE) The most important factor in a supermarket's creating satisfied customers is a convenient store location. (III-1) __________

20. (TRUE or FALSE) Most supermarket customers consider it a sign of respect and friendship when a store employee addresses them by name. (III-3) __________

21. (TRUE or FALSE) Most shoppers would consider a store employee impertinent for suggesting they try a new item. (III-7) __________

22. (TRUE or FALSE) A customer with a complaint often merely wants a chance to tell some store employee what it is that has made her unhappy, and doesn't necessarily expect the employee to take any action as a result of her complaint. (III-8) __________

23. (CIRCLE THE CORRECT ANSWER) If you were preparing a display of watermelon on chipped ice in the Produce Department when a shopper slipped on the damp floor and fell, what would you do first? (III-9)

(a) Go get the Store Manager.

(b) Finish building the display.

(c) Mop the floor so other shoppers don't fall and injure themselves.

(d) Check the customer to see if she hurt herself.

24. (CIRCLE THE CORRECT ANSWER) If you were stocking shelves in the Grocery Department when a shopper asked you where to find a certain item, what would you do? (III-11)

(a) Tell the customer to go ask the Store Manager.

(b) Accompany the customer to find the item, or go get it for her.

(c) Tell the customer where to find the item.

(d) Tell the customer to keep looking for the item, and continue with your work.

25. (TRUE or FALSE) Being friendly and pleasant toward others often results in their being more friendly and pleasant toward you. (III-12) ____________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 6

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Grocery Department

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #6

In Self-Study Unit #5, we looked at the supermarket customer -- the psychology of the shopper, characteristics of the typical shopper, and shopping patterns. In Unit #6, we will consider the largest single department in the supermarket, the Grocery Department.

In the Units that follow, we will proceed through each department until the entire store operation has been viewed. In your study, you will be able to detect several common threads running throughout these units and form a base from which you can successfully and profitably serve the prime asset in any retail business, the Customer.

Specifically, in this Unit we will study:

Section I. THE SCOPE OF THE GROCERY DEPARTMENT

- A. Location and Layout of the Grocery Department
- B. Personnel in the Grocery Department
- C. Product Categories and Average Margins

Section II. THE GROCERY DEPARTMENT IN THE MODERN SUPERMARKET

- A. Importance of the Grocery Department
- B. Product Management in the Grocery Department
- C. Elements of Effective Grocery Merchandising
- D. Major Problems in the Grocery Department

Section III. OPERATIONS OF THE GROCERY DEPARTMENT

- A. Ordering of Grocery Products
- B. Receiving, Handling, and Storing Grocery Products
- C. Stocking Shelves in the Grocery Department
- D. Handling Price Changes

I. THE SCOPE OF THE GROCERY DEPARTMENT

Traditionally, the Grocery Department is the heart of the supermarket. Size alone indicates this -- the department accounts for over 1/2 of the total selling space and almost 2/3 of the total number of items stocked in a typical supermarket. In fact, by almost every measure, the Grocery Department is the largest of the six major departments in the supermarket.

LOCATION AND LAYOUT OF THE GROCERY DEPARTMENT

The Grocery Department is most often located in the center of the store, with its aisles running nearly the length of the store. In some stores, cross aisles cut through the main aisles. (SEE DIAGRAM A)

Although these cross aisles provide excellent locations for end-aisle displays, they permit shoppers to by-pass whole parts of the department. To overcome this, some stores have completely eliminated cross aisles, by extending the regular shelving units the entire length of the department and/or by utilizing the cross aisle space for special displays. This encourages customers to shop the entire department. (SEE DIAGRAM B)

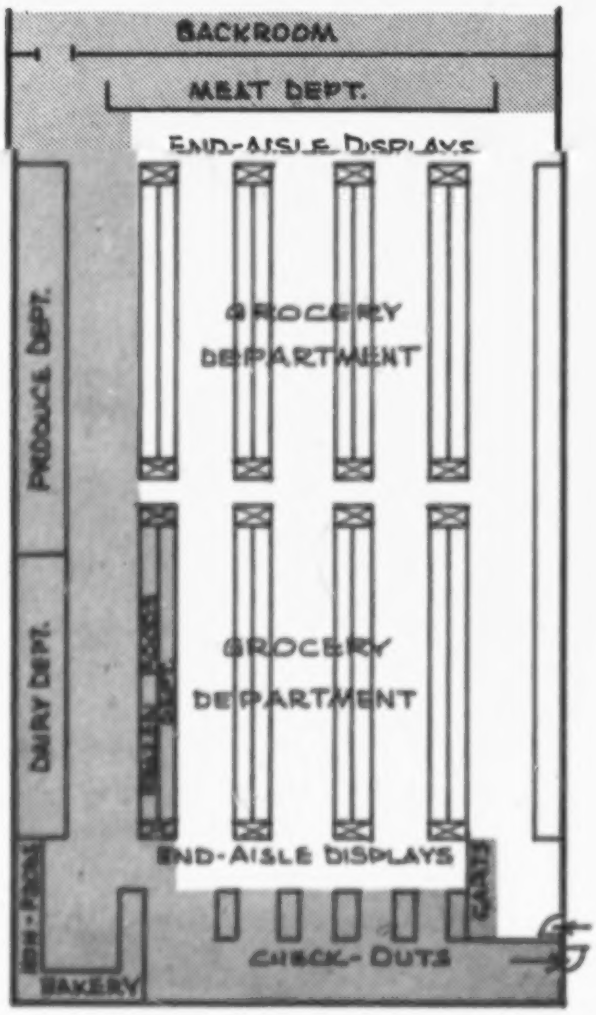

BACKROOM
MEAT DEPT.
END-AISLE DISPLAYS
PRODUCE DEPT.
DAIRY DEPT.
FROZEN FOODS DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
END-AISLE DISPLAYS
NON-FOODS
CARTS
CHECK-OUTS
BAKERY

DIAGRAM A

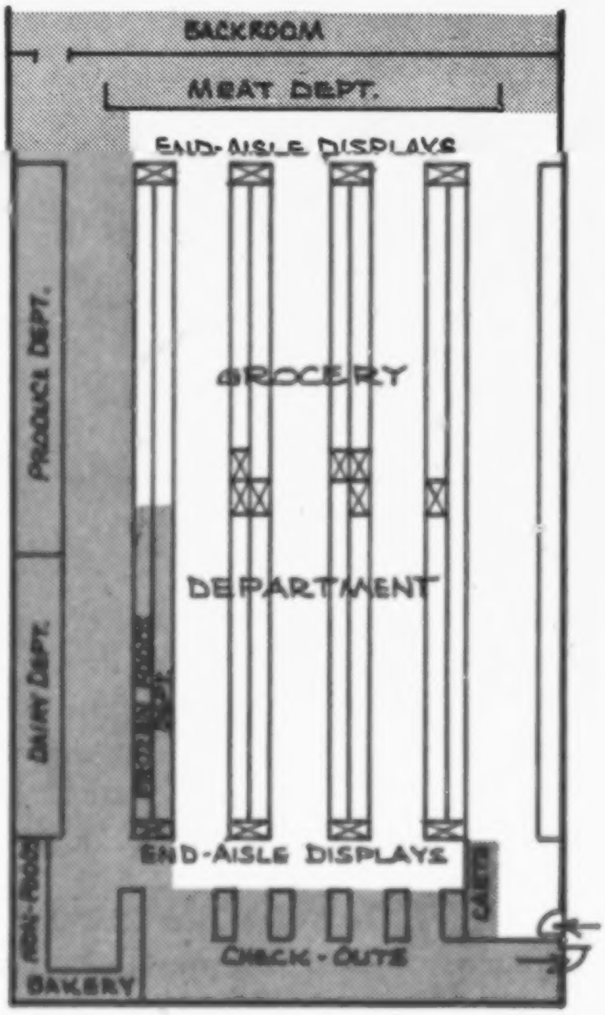

BACKROOM
MEAT DEPT.
END-AISLE DISPLAYS
PRODUCE DEPT.
DAIRY DEPT.
FROZEN FOODS
GROCERY
DEPARTMENT
END-AISLE DISPLAYS
NON-FOODS
CARTS
CHECK-OUTS
BAKERY

DIAGRAM B

Some stores are currently experimenting with Grocery Department layouts and traffic patterns in an attempt to determine their effect on sales volume. One experiment involves a completely new layout for the department known as the "Hollow X" concept. (SEE DIAGRAM C) Here, all "backroom" stock is stored in the center of the store, within the hollow X formed by the Grocery Department, and shelves are filled from the back.

Still another experiment in store layout is the "Spoked Wheel" layout. (SEE DIAGRAM D) Notice that the Meat Department and/or the Produce Department form the hub of the spoked wheel. The idea here is to guide customers through the spokes or aisles to get to the Meat and/or Produce Department.

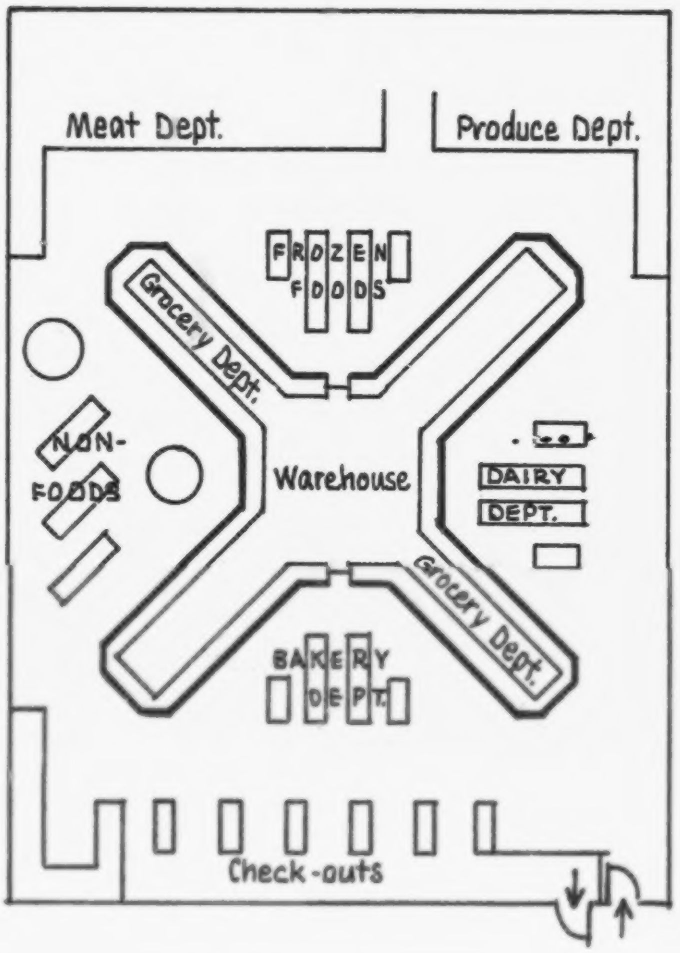

Meat Dept.
Produce Dept.
FROZEN FOODS
Grocery Dept.
NON-FOODS
Warehouse
DAIRY DEPT.
BAKERY DEPT.
Grocery Dept.
Check-outs

DIAGRAM C

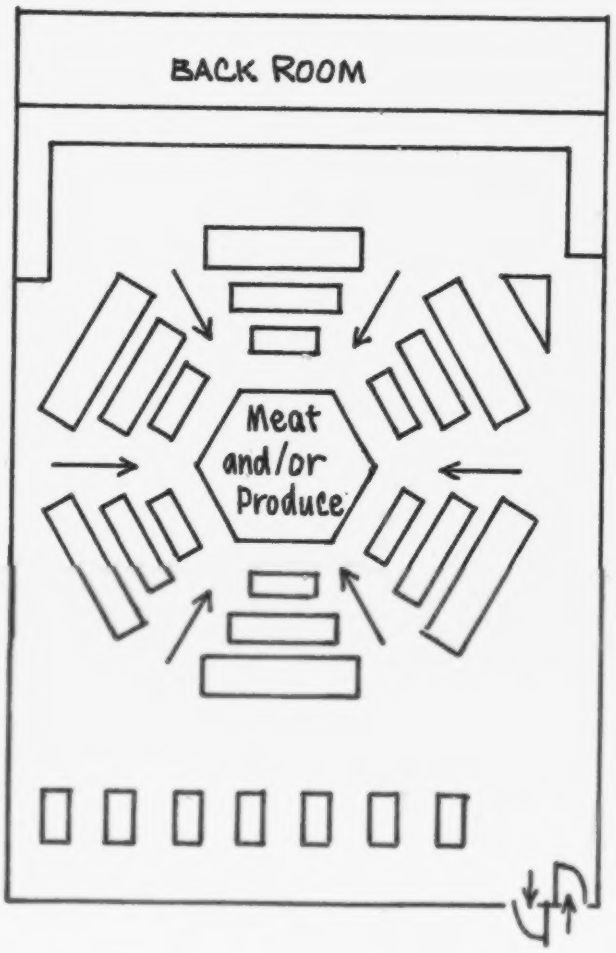
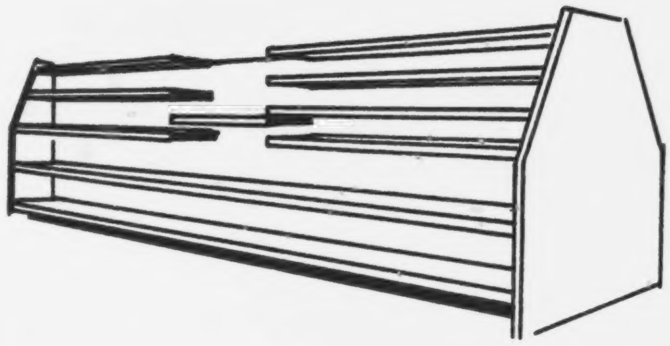
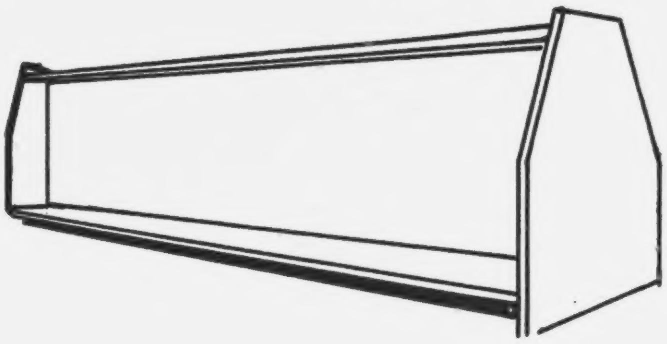

BACK ROOM
Meat and/or Produce

DIAGRAM D

The "Hollow X" layout and the "Spoked Wheel" layout are but two examples of the endless search for new and better methods in the dynamic grocery industry. These new concepts have been made possible in part by the tremendous advances in equipment design and manufacture in recent years. Although less dramatic advances have been made in the Grocery Department than in other departments, still, there is available today a greater variety of attractive, functional Grocery Department shelving units than ever before.

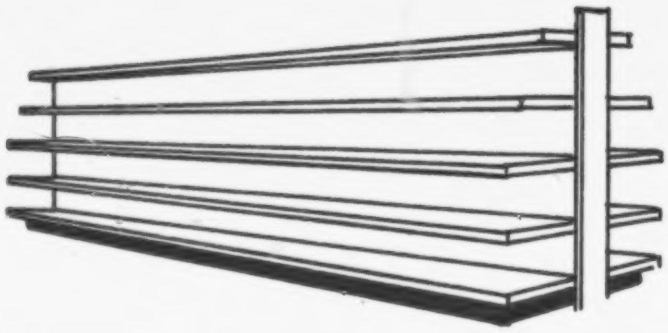
Four of the most widely-used shelving units (called "gondolas" or "tables") are shown below.

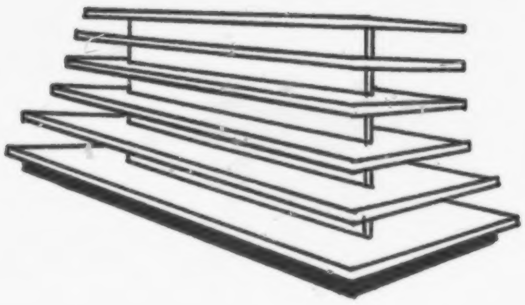




Adjustable Shelf Gondola. The shelves can be adjusted up or down to accommodate varying sizes of products. The ends of the shelves are notched and correspond with slots in the gondola end piece.

Removable Shelf Gondola. The adjustable shelves can be removed to accommodate tall items, or to provide space for in-shelf displays.





Open End Gondola. The end piece is removed, providing visibility from the end of the aisle as well as from the front position.

Island Gondola. Both end pieces are eliminated to permit use in the center of an aisle because products are readily accessible from all sides.

PERSONNEL IN THE GROCERY DEPARTMENT

The staff of the Grocery Department usually includes:

- Grocery Department Manager. The Grocery Department Manager is responsible for planning, organizing, coordinating, and controlling all phases of the department's operations, as well as training and supervising other personnel in the department. In some stores, the Grocery Department Manager also serves as Assistant Store Manager and assumes responsibility for all store operations in the absence of the Store Manager.

- Assistant Grocery Department Manager. The Assistant Grocery Manager is often delegated certain responsibilities by the Grocery Manager (such as ordering products) and assumes responsibility for the department's operations in the absence of the Grocery Manager.

- Stock clerks. Usually, there are one or more full-time clerks and a number of part-time clerks who come in after school or in the evenings and on Saturdays. Their major tasks include replenishing shelf stocks, building displays, and making price changes.

In general, labor costs in the Grocery Department are lower than in the other departments (except Dairy and Non-Foods), and lower than the overall store average. For example, in a typical $2,000,000-a-year store:

- Direct labor costs (the actual cost of unloading, pricing, and stocking products) amount to about 2% of sales in the Grocery Department, compared to 7% for the Meat Department, 10% for the Produce Department, and 3.6% for the store as a whole.

- Total labor costs (direct labor costs plus share of front end labor and Store Manager's time) amount to about 5% for the Grocery Department, compared to 8% for the Meat Department, 13% for the Produce Department, and about 7% for the overall store operation.

Direct labor costs are higher in the Meat Department and the Produce Department than in the Grocery Department because of the need to trim, weigh, and wrap each purchase individually. However, the difference between direct labor cost and total labor cost is greater for the Grocery Department than for the Meat Department: a jump from 2% to 5% in Grocery, versus an increase from 7% to 8% for Meat. The reason is that front end costs are higher per dollar of Grocery Department sales because of the lower per unit cost of items in the department -- it takes as much time to ring up and bag a 10¢ can of beans as a $1.50 steak.

PRODUCT CATEGORIES AND AVERAGE MARGINS

In the next Section, we will see some of the yardsticks used to measure the 43 product categories that normally make up the Grocery Department. The 43 categories are listed below, together with the average % of margin for each category. In studying this list, remember that the margins given merely serve as guide-lines. In practice, each store or each central buying organization sets its own prices to fulfill organizational objectives and consumer needs.

PRODUCT CATEGORY	AVERAGE MARGIN	PRODUCT CATEGORY	AVERAGE MARGIN
BABY FOODS	11-15%	LAUNDRY DETERGENTS	9-14%
BAKING MIXES	17-20%	LAUNDRY SUPPLIES	20-25%
BAKING INGREDIENTS	20-27%	MACARONI PRODUCTS	19-24%
BEER	12-15%	MEAT (CANNED)	20-21%
BEVERAGE POWDERS & BASES	19-22%	MILK (CANNED & POWDERED)	11-14%
CANDY & CHEWING GUM	25-28%	PAPER PRODUCTS	23-25%
CEREALS	18-20%	PET FOODS	20-23%
CIGARETTES	5- 6%	PICKLES, OLIVES & RELISHES	27-30%
CIGARS & TOBACCO	14-22%	PREPARED FOODS	21-23%
COFFEE, TEA,COCOA	10-15%	SALAD DRESSINGS	16-22%
CONDIMENTS & SAUCES	19-27%	SALT, SEASONINGS & SPICES	26-32%
CRACKERS & COOKIES	23-27%	SHORTENINGS	10-16%
DESSERTS & TOPPINGS	16-17%	SNACKS	24-25%
DIETETIC FOODS	24-29%	SOAPS (HAND & FACIAL)	13-17%
FISH (CANNED)	19-22%	SOFT DRINKS	18-23%
FLOUR	12-16%	SOUP	13-17%
FRUIT (CANNED)	22-26%	SUGAR	8-10%
FRUIT (DRIED)	22-28%	SYRUPS & MOLASSES	18-22%
GOURMET	25-27%	VEGETABLES (CANNED)	21-25%
HOUSEHOLD SUPPLIES	29-32%	VEGETABLES (DRIED)	20-25%
JAMS, JELLIES & SPREADS	23-25%	WINE	21-23%
JUICES (CANNED)	19-26%		

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE GROCERY DEPARTMENT IN THE MODERN SUPERMARKET

IMPORTANCE OF THE GROCERY DEPARTMENT

S-1 As you will recall from Unit #3, the Grocery Department is the ***(smallest ... largest)*** department in terms of size, sales, and number of items. (CIRCLE THE CORRECT WORD)

R-1
largest

1. Space allocation, sales, and profits of the Department

S-2 We saw in Unit #3 that the Grocery Department (excluding non-foods) accounts for:

- Over half the total selling space (about 56%);
- Almost 2/3 of the total number of items (about 63%);
- Over half the total unit sales (about 53%).

From these figures, we can conclude that the share of total inventory investment for the Grocery Department is probably ***(higher ... lower)*** than for any other of the six major departments in a typical supermarket. (CIRCLE THE CORRECT WORD)

R-2
higher

S-3 "Inventory investment" is the total cost of shelf stock and backroom reserve stock. The Grocery Department, being the largest single department, requires about 2/3 (or 65%) of a supermarket's total __________ __________.

R-3
inventory investment

S-4 The cost of the shelf stock and backroom stock of items in the Grocery Department amounts to ______________ (WHAT PORTION?) of a supermarket's total inventory investment.

R-4 about 2/3 (or 65%)	S-5	If a store's total inventory investment were $100,000, about how large would its inventory of Grocery Department items be? (CHECK ONE) ☐ $35,000 ☐ $65,000 ☐ $50,000 ☐ $80,000
R-5 $65,000	S-6	Since the Grocery Department accounts for almost 2/3 (or about 65%) of the store's total ________________ ________________, we might assume that a like amount of shelf space is needed. In fact, the Grocery Department accounts for just over 2/3 (or 69%) of the total shelf space.
R-6 inventory investment	S-7	(TRUE or FALSE) In a typical supermarket, the Grocery Department accounts for about 2/3 of the total shelf space and about 2/3 of the total inventory investment. __________
R-7 True	S-8	Over ______ (WHAT PORTION?) of the total shelf space in a typical supermarket is in the Grocery Department. Nearly half (or about 46%) of the dollar sales taken in at the checkout counter goes to pay for items from the Grocery Department.
R-8 2/3 (or 69%)	S-9	The Grocery Department in a typical supermarket brings in ______________ (WHAT PORTION?) of the store's total dollar sales. The Grocery Department also accounts for almost half (or about 44%) of the total gross profit dollars.
R-9 nearly half (or about 46%)	S-10	As you'll recall from Unit #3, gross profit is the dollars-and-cents difference between total dollar sales of an item or group of items over a period of time and the total cost of the item or items. The Grocery Department accounts for slightly *(more than ... less than)* half of the total gross profit in a typical supermarket. (CIRCLE THE CORRECT ANSWER)

R-10 less than	S-11	We have seen that the Grocery Department accounts for almost half (or about 46%) of the __________ __________ and almost half (or about 44%) of the total ________ __________ dollars in a typical supermarket. The gross margin in the department is 16% to 18%.
R-11 dollar sales gross profit	S-12	The gross margin on the Grocery Department items is between _____% and _____%, compared to an 18% to 20% gross margin for the store as a whole.
R-12 16% (and) 18%	S-13	The gross margin in the Grocery Department is between _____% and _____%, and is *(slightly higher ... slightly lower)* than for the store as a whole. The Grocery Department's rate of turnover (about 20 turns per year) is the lowest in the store.
R-13 16% (and) 18% slightly lower	S-14	Turnover in the Grocery Department is about ____ turns per year, compared to about 28 turns per year for the store as a whole.
R-14 20 (turns)	S-15	In a typical supermarket, the Grocery Department's rate of ____________ of about ____ turns per year is the *(highest ... lowest)* of the six major departments. This may be partly due to the fact that shoppers tend to take the department for granted.
R-15 turnover 20	S-16	2. Consumer Attitudes toward the Grocery Department Even though the Grocery Department is the ____________ department in terms of size and sales, and is extremely important to a store's overall success, the department is not generally a major factor in determining where a person shops.

R-16 largest	S-17	In a recent study, shoppers were asked how much difference they found in the Grocery Departments of various supermarkets. • 16% replied "a great difference" • 29% replied "some difference" • 55% replied "little difference" In other words, for over half the shoppers interviewed, the Grocery Department *(was ... was not)* a major factor in their choice of a store to patronize.
R-17 was not	S-18	(TRUE or FALSE) Over half the customers interviewed in a recent store test said they found little difference in the Grocery Departments of different supermarkets. ________
R-18 True	S-19	In a recent study, __________ (WHAT PORTION?) of the shoppers said there is little difference between the Grocery Departments in various supermarkets. However, almost half (45%) said there is some difference or a great difference, most likely because they felt that, in their favorite store: • The department layout is more appealing; • The department personnel are more helpful; • The department is better stocked; and so on.
R-19 over half (or 55%)	S-20	Over half the shoppers interviewed in a recent study said they found _________ ________________ between the Grocery Departments in various supermarkets. However, when the same shoppers were asked why they patronize a particular supermarket, over half said that "the wide selection of products and brands" was a major reason.

R-20
little difference

S-21 The Grocery Department means different things to different people. When asked whether there is any difference in the Grocery Departments of various supermarkets, over half said "little difference". Yet, when asked why they shopped a particular store, over half gave as a reason "the _______ _______________ of products and brands".

R-21
wide selection

S-22 Since the Grocery Department contains almost 2/3 of the total number of items stocked, many people who shop a particular store because of "the wide selection of products and brands" must in effect depend on the Grocery Department to fill the bulk of those demands. The conclusion seems to be that shoppers tend to take the Grocery Department for granted. They want a "_______ _________________ of ____________ and _________" and they naturally assume that such will be found in the Grocery Department.

R-22
wide selection
(of) products
(and) brands

S-23 Shoppers evidently expect to find a wide selection of products and brands in the Grocery Department, as shown by the fact that ___________ (WHAT PORTION?) of the shoppers cite "the wide selection of products and brands" as a chief reason for patronizing a particular store. Providing this wide selection is just one aspect of product management which has an important effect on a store's success.

R-23
over half

PRODUCT MANAGEMENT IN THE GROCERY DEPARTMENT

S-24 A typical supermarket stocks about 6,000 to 7,000 items (different types, brands and sizes of products). About 2/3 of these items (or 4,000 items) are stocked in the Grocery Department. These ________ (HOW MANY?) Grocery Department items are commonly grouped by type into 43 product categories (Baby Foods, Baking Mixes, etc.).

R-24 4,000	S-25	There are hundreds of manufacturers making many thousands of individual items that could be sold in the Grocery Department of a supermarket. Obviously, a single store can't stock EVERY item because of lack of space. Instead, the typical supermarket stocks about ________ items in the Grocery Department, grouped into ___ product categories.
R-25 4,000 43	S-26	Although the Grocery Department occupies over half of the total selling space and contains over 2/3 of the total shelf space in a supermarket, space is scarce. Space in the Grocery Department must be carefully allocated among the 43 ____________ _________________.
R-26 product categories	S-27	1. Allocation of Space by Product Category In allocating _________ to the 43 product categories in the Grocery Department, the physical size of the items must be considered.
R-27 space	S-28	The allocation of space in the Grocery Department is based on part on the physical ________ of the items in the _____ (HOW MANY?) product categories. For example, categories containing bulky items (such as Cereal, Paper Products, and Laundry Detergents) require more space than compact items (such as Cigarettes), irrespective of their relative dollar sales and profit performance.
R-28 size 43	S-29	One factor in allocating space in the Grocery Department among the 43 product categories is the ______________ ________ of the items. Another factor is the number of brands and sizes in each product category.

R-29
physical size

S-30 In allocating ________ in the Grocery Department, an important consideration is the number of brands and sizes required to provide the necessary selection for customers. Categories with many brands and ________ naturally require more space than categories with a few brands and sizes.

R-30
space
sizes

S-31 Space allocations in the Grocery Department should be based partly on the ________ of ________ ____ ________ in each product category. The three product categories with the most items are: Household Supplies; Baby Foods; and Canned Vegetables.

R-31
number (of)
brands and
sizes

S-32 Obviously, there are many brands, flavors, and sizes in each of the 43 product categories. The three categories with the most items are: (CHECK THREE)

☐ Paper Products
☐ Household Supplies
☐ Desserts
☐ Canned Vegetables
☐ Cigarettes
☐ Baby Foods

R-32
Household
Supplies
Baby Foods
Canned
Vegetables

S-33 We have seen two of the factors to be considered in allocating space to the 43 product categories in the Grocery Department:

- the ________ _____ of the items;
- the number of ________ and ________ in the category.

In addition, sales performance should also be considered.

R-33
physical size
brands (and)
sizes

2. Measures of Sales Performance in the Grocery Department

S-34 The relative sales performance of the items in the Grocery Department is an important part of product management, particularly from the standpoint of allocating space in the department. One popular measure of ________ performance is the rate of turnover.

R-34
sales

S-35 Items with a high rate of turnover must receive sufficient space to permit adequate shelf stocks and thereby reduce the need for frequent restocking. Obviously then, the rate of __________ is a point to consider when allocating space in the Grocery Department.

R-35
turnover

S-36 As we saw, turnover for the Grocery Department is about ____ turns per year. The three categories in the department with the highest turnover are Sugar (64 turns), Cereals (38 turns), and Crackers and Cookies (37 turns).

R-36
20

S-37 Sugar, Cereals, and Crackers and Cookies are the three highest categories in terms of annual ______________. The three lowest are Dietetic Foods (6 turns), Household Supplies (10 turns) and Salts, Seasonings and Spices (11 turns).

R-37
turnover

S-38 The allocation of space in the Grocery Department must reflect the varying rates of turnover of items in the 43 product categories. Which of the categories below have the highest and the lowest annual turnover? (MARK "H" or "L")

____ Household Supplies ____ Dietetic Foods
____ Salts, Seasonings and Spices ____ Sugar
____ Crackers and Cookies ____ Cereals

R-38 L L L H H H	S-39	Rate of turnover is one popular measure of ________ ________________ used in allocating space in the Grocery Department. Weekly unit sales is another.
R-39 sales performance	S-40	Weekly _______ _________ in the Grocery Department varies considerably from item to item and from category to category. The average weekly sale per item in the department is 14 units.
R-40 unit sales	S-41	Of the 6,000 to 7,000 items stocked in a typical supermarket, about ________ (HOW MANY?) items are carried in the Grocery Department. The average weekly sales per item is ____ (HOW MANY?) units. Of course, some items sell more than the average and some items sell less.
R-41 4,000 14	S-42	In the Grocery Department of a typical supermarket with sales of $2,000,000 a year, the average weekly sales per item is _____ (HOW MANY?) units. Only 1 out of 10 items in the department sells more than a case (24 units) per week.
R-42 14	S-43	What portion of the items in the Grocery Department sells more than one case per week? (CHECK ONE) ☐ 1 out of 5 items ☐ 1 out of 24 items ☐ 1 out of 10 items ☐ 1 out of 100 items
R-43 1 out of 10 items	S-44	Only 1 out of ____ (HOW MANY?) items sells more than a case (24 units) per week. Only 1 out of 22 items sells more than 2 cases (48 units) per week.

R-44
10

S-45 What portion of the items in the Grocery Department sells more than 2 cases per week? (CHECK ONE)

☐ 1 out of 5 items
☐ 1 out of 10 items
☐ 1 out of 22 items
☐ 1 out of 48 items

R-45
1 out of 22 items

S-46 The average weekly sales per item in the Grocery Department of a typical supermarket is ____ (HOW MANY?) units. However, only ____________ (WHAT PORTION?) of the items sells more than one case (24 units) per week and only ____________ (WHAT PORTION?) of the items sells more than 2 cases (48 units) per week. Going further, only 1 out of 85 items sells more than 6 cases (144 units) per week.

R-46
14
1 out of 10
1 out of 22

S-47 What portion of the items in the Grocery Department sells more than 6 cases per week? (CHECK ONE)

☐ 1 out of 22 items
☐ 1 out of 24 items
☐ 1 out of 48 items
☐ 1 out of 85 items

R-47
1 out of 85 items

S-48 Of the roughly 4,000 items in the Grocery Department, fewer than 50 (or about 1 out of ____ items) sell more than 6 cases (144 units) per week. Only 1 out of 330 items sell more than 10 cases (240 units) per week.

R-48
85

S-49 What portion of the items in the Grocery Department sells more than 10 cases per week? (CHECK ONE)

☐ 1 out of 48 items
☐ 1 out of 85 items
☐ 1 out of 240 items
☐ 1 out of 330 items

R-49
1 out of 330 items

S-50 Ten cases of merchandise contain _______ (HOW MANY?) units. Only 1 item in every ______ (HOW MANY?) items in the Grocery Department sells this much per week.

R-50
240 units
330 items

S-51 Match the weekly sales in the column at the right with the correct portion of Grocery Department items in the column at the left.

____	1 out of 85 items	a. 144 units
____	1 out of 10 items	b. 10 cases
____	1 out of 22 items	c. 24 units
____	1 out of 330 items	d. 2 cases

R-51
a
c
d
b

S-52 The fact that a category contains many items does not necessarily mean that it accounts for high weekly unit sales. The three categories with the highest weekly _______ _________ are Canned Vegetables, Paper Products, and Crackers and Cookies.

R-52
unit sales

S-53 Which three categories in the Grocery Department account for the highest weekly unit sales? (CHECK THREE)

☐ Baking Mixes
☐ Canned Vegetables
☐ Crackers & Cookies
☐ Paper Products
☐ Cigarettes
☐ Sugar

R-53
Canned Vegetables
Paper Products
Crackers and Cookies

S-54 A product category with high weekly ________ _________ does not necessarily produce high weekly dollar sales. The prices of individual items also enter the picture.

R-54
unit sales

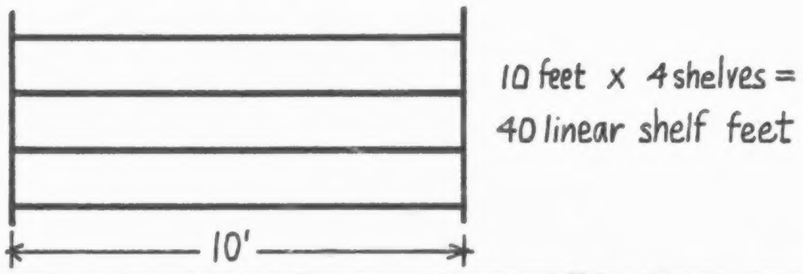
S-55 Weekly dollar sales is an important measure of sales performance. The highest weekly __________ __________ in the Grocery Department of a typical supermarket are realized from Cigarettes (11% of the department total), followed by: Coffee, Tea and Cocoa; and Paper Products.

R-55
dollar sales

S-56 High unit sales for a category do not necessarily mean high dollar sales. The prices of individual items also play a part. We could safely say that the three highest categories in __________ __________ __________ (namely: Cigarettes; Coffee, Tea and Cocoa; and Paper Products) have high unit sales and/or high dollar value.

R-56
weekly dollar
sales

S-57 Cigarettes, Coffee, Tea and Cocoa, and Paper Products produce the highest weekly __________ __________ in the Grocery Department. Cigarettes, Sugar, and Soft Drinks provide the highest weekly dollar sales per linear shelf foot, or per running foot of shelf space.



R-57
dollar sales

S-58 The Grocery Department's average weekly dollar sales per linear shelf foot in a typical supermarket is about $7.00. The top category in weekly dollar sales per __________ __________ __________ is Cigarettes (about $31), Sugar, and Soft Drinks.

R-58
linear shelf foot

S-59 Cigarettes, Sugar, and Soft Drinks produce the highest weekly __________ __________ per __________ __________ __________ in the Grocery Department of a typical supermarket.

R-59
dollar sales (per) linear shelf foot

S-60 Turnover, weekly unit sales, weekly dollar sales, and weekly dollar sales per linear shelf foot are four popular measures of ________ __________________. Perhaps even more meaningful in terms of effective product management are the various measures of profitability.

R-60
sales performance

3. Measures of Profitability in the Grocery Department

S-61 One of the most popular measures of ______________________ in the Grocery Department is weekly gross profit (or weekly dollar margin).

R-61
profitability

S-62 Weekly gross profit (or weekly dollar margin) is the amount realized on the sale of an item or items over and above the cost of the item or items. Paper Products, Canned Vegetables, and Household Supplies provide the highest weekly ________ ___________ (or weekly dollar margin) in the Grocery Department.

R-62
gross profit

S-63 When you multiply the average % of margin times the weekly dollar sales for a category, you get the weekly gross profit (or weekly dollar margin). The three top categories in the Grocery Department as they contribute weekly _______ __________ are: Paper Products; Canned Vegetables; and Household Supplies.

R-63
gross profit (or dollar margin)

S-64 A store pays employees' wages and other operating expenses out of its weekly gross profit. Which three categories produce the greatest weekly gross profit dollars in the Grocery Department? (CHECK THREE)

☐ Coffee, Tea, Cocoa
☐ Household Supplies
☐ Cigarettes
☐ Paper Products
☐ Baby Foods
☐ Canned Vegetables

R-64 Paper Products Canned Vegetables Household Supplies	S-65	Categories which rank high in weekly dollar sales per linear shelf foot and also have a high average % of margin produce a high weekly gross profit per linear shelf foot. The weekly __________ __________ per linear shelf foot average for the Grocery Department as a whole is about $1.35.
R-65 gross profit	S-66	The weekly gross profit per linear shelf foot for the Grocery Department as a whole is about $________. • The three highest categories are: Dried Fruit ($3.22); Soft Drinks ($2.79); and Baking Needs ($2.50). • The three lowest categories are: Baby Foods ($.55); Desserts ($.59); and Dietetic Foods ($.69).
R-66 $1.35	S-67	Which of the categories below are the three highest and the three lowest in terms of weekly gross profit per linear shelf foot? (MARK "H" or "L") ____ Dried Fruits ____ Baby Foods ____ Desserts ____ Soft Drinks ____ Baking Needs ____ Dietetic Foods
R-67 H L L H H L	S-68	Two popular measures of profitability in the Grocery Department are weekly gross profit and weekly ________ __________ per __________ ________ ________. Another is penny profit per unit.
R-68 gross profit (per) linear shelf foot	S-69	"Penny profit per unit" (or dollar mark-up) equals the difference between the retail price of an item and the cost, expressed in dollars-and-cents. The three highest categories in the Grocery Department in _________ __________ per unit are: Cigarettes (cartons); Household Supplies; and Pickles, Olives and Relishes. The three lowest categories are: Baby Foods; Canned and Powdered Milk; and Desserts.

R-69 penny profit	S-70	Which of the categories below are the three highest and the three lowest in terms of penny profit per unit? (MARK "H" or "L") ____ Cigarettes (cartons) ____ Household Supplies ____ Pickles, Olives and Relishes ____ Baby Foods ____ Canned and Powdered Milk ____ Desserts
R-70 H H H L L L	S-71	The dollars-and-cents difference between the retail price of an item and the retailer's cost is called the ________ __________ _____ ________ (or dollar mark-up). Although widely-used in industry, this measure of ______________________ does not reflect the fact that there are certain expenses directly connected with the sale of an item. These direct product costs are the same per unit, regardless of the number of units sold.
R-71 penny profit per unit profitability	S-72	In Unit #4, we saw that certain of a store's expenses remain constant regardless of how much or how little is sold; these are called *(fixed ... variable)* expenses. By the same token, certain expenses are incurred in the handling and sale of each unit of each item, regardless of how many or how few units are sold; these are called direct product costs.
R-72 fixed	S-73	Direct product costs are those expenses which can be attributed to each unit of an individual item sold. The cost of warehousing, shelving, checking-out and bagging each unit are examples of _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _. So is the cost of trading stamps given with the purchase of each unit.

R-73 direct product costs	S-74	The expenses of handling and selling each unit of an item are referred to as the item's ________ ________ ________. These expenses are the same per unit for an item, regardless of the number of units sold.
R-74 direct product costs	S-75	The difference between the penny profit per unit for an item and the cost of handling and selling pack unit (the ________ ________ ________) is referred to as the direct product profit.
R-75 direct product costs	S-76	Direct product profit is the difference between the ________ ________ ________ ________ for an item and the direct product costs for handling and selling each unit of the item. The item's direct product profit must be great enough to cover its indirect costs (its share of administrative salaries, advertising and promotion expenses, insurance, etc.) and provide a net profit.
R-76 penny profit per unit	S-77	The penny profit per unit (or dollar mark-up) for an item minus the direct product costs for each unit equals the ________ ________ ________ which is available to cover the item's share of indirect costs and net profit. *For example:* Let's say an item costs 80¢ each and sells for $1.00 each; the penny profit per unit is 20¢. If the direct product costs for the item amount to 8¢ per unit, this leaves 12¢ direct product profit.
R-77 direct product profit	S-78	The difference between an item's penny profit per unit and its direct product costs is its ________ ________ ________. This must be great enough to cover the item's share of ________ ________ and provide an adequate net profit.

R-78
direct product profit
indirect costs

S-79 The penny profit per unit for each item in a supermarket must be high enough to cover its direct product costs, its share of ____________ ____________ (such as the salaries of the store manager and supervisors, advertising and promotion expenses, store supplies, licenses and taxes, and insurance), and provide an adequate ________ ____________.

R-79
indirect costs
net profit

S-80 Direct product profit for each unit of an item is figured by subtracting the ____________ ____________ ____________ for handling and selling each unit of the item from the ____________ ____________ ____________ ____________. Direct product profit can also be figured for all units of an item or group of items by subtracting the direct product costs for handling and selling all the units from the dollar gross profit realized on the sale of the units.

R-80
direct product costs
penny profit per unit

S-81 The direct product profit for all units of an item or group of items sold is arrived at by subtracting the ____________ ____________ ____________ for handling and selling all the units from the dollar ____________ ____________ realized on the sale of all the units.

R-81
direct product costs
gross profit

S-82 The dollar gross profit for the units sold of an item or group of items minus the direct product costs for all the units equals the ____________ ____________ ____________ which is available to cover the item's share of indirect costs and net profit.

For example:

> Consider once more the item that costs 80¢ and normally sells for $1.00. If normal sales are 50 units per week, the weekly gross profit is $10. Direct product costs for the item amount to 8¢ per unit or $4 per week, leaving $6 per week as direct product profit to cover indirect costs and net profit.

R-82
direct product profit

S-83 The concept of direct product cost and direct product profit as a measure of profitability is a fairly recent development in the food industry. Another of the "traditional" measures of __________________ long used in the industry is the annual return on inventory investment.

R-83
profitability

S-84 People invest in a business to secure a worthwhile return on their investment of money. An important measure of profitability, therefore, is annual return on inventory ______________ (or the money tied-up in inventory).

R-84
investment

S-85 The three highest categories in the Grocery Department in terms of annual return on ________________ ____________________ are: Dried Fruit; Cookies and Crackers; and Cereals. The three lowest categories are: Cigarettes; Dietetic Foods; and Coffee, Tea and Cocoa.

R-85
inventory investment

S-86 Which are the three highest and the three lowest categories in the Grocery Department in annual return on inventory investment? (MARK "H" or "L")

_____ Dried Fruit _____ Cigarettes
_____ Dietetic Food _____ Cereals
_____ Coffee, Tea and Cocoa _____ Crackers and Cookies

R-86
H L
L H
L H

S-87 The categories with the highest ____________ ____________ on ______________ ________________ in the Grocery Department are: Dried Fruit; Crackers and Cookies; and Cereals. The categories with the lowest return are: Cigarettes; Dietetic Foods; and Coffee, Tea and Cocoa.

R-87
annual return
(on) inventory
investment

S-88 The various measures of ____________________ we have just studied are used in other departments besides the Grocery Department. Others as well are used as an aid in the proper allocation of space among the ______ (HOW MANY?) product categories and the _________ (HOW MANY?) individual items in the department.

R-88
profitability
43
4,000

S-89 The proper allocation of ___________ in the Grocery Department is important in achieving maximum sales and profits. Effective merchandising in the department is also important.

R-89
space

ELEMENTS OF EFFECTIVE GROCERY DEPARTMENT MERCHANDISING

S-90 An important aspect of effective merchandising in the Grocery Department is the location of the sections in the department. Each of the ______ (HOW MANY?) product categories in the department could be considered as a separate section.

R-90
43

1. The Location of Sections

S-91 There are two basic rules governing the location of the individual sections within the Grocery Department:

- Generally, sections containing high-demand staples should be scattered throughout the department, rather than centrally located or clustered down one or two aisles.
- Sections containing impulse items should be placed in prime traffic locations.

Scattering high-demand ______________ throughout the department encourages customers to shop the entire department. Placing the best ______________ items in prime traffic locations exposes these items to the greatest number of shoppers.

R-91 staples impulse	S-92	The customer must pass through more of the Grocery Department to reach needed items when the sections containing __________-____________ staples (such as Paper Products, Canned Vegetables, Cereal, Soaps and Detergents, and Laundry Supplies) are ________________ throughout the department.
R-92 high-demand scattered	S-93	Sections containing high-demand staples should be _______________ throughout the Grocery Department. High-demand _____________. include: • Paper Products • Canned Vegetables • Cereal • Laundry Soaps and Detergents • Laundry Supplies
R-93 scattered staples	S-94	(TRUE or FALSE) Paper Products, Canned Vegetables, Cereal, Soaps and Detergents, and Laundry Supplies are high-demand staples, and should be grouped close together so that the hurried customer can cut down on shopping time. ___________
R-94 False	S-95	Sections with high-demand staples should be _________________ throughout the Grocery Department, while best impulse items should be located at prime ______________ locations.
R-95 scattered traffic	S-96	The best ______________ items should be located at prime _____________ ________________ because the greater the number of people who pass such items, the greater the number who will buy. The best impulse items in the Grocery Department are: • Crackers and Cookies • Candy and Snacks • Household Supplies • Desserts • Salad Dressings

R-96 impulse traffic locations	S-97	(TRUE or FALSE) The more people that pass a given location in the Grocery Department, the better the chances of selling an impulse item at that location. __________
R-97 True	S-98	The location of the sections in the Grocery Department is one element of effective grocery merchandising. Generally, __________-__________ __________ should be scattered throughout the department, and the best __________ __________ should be located in prime traffic locations. Another element of effective merchandising in the Grocery Department is the shelving of the items in each section.
R-98 high-demand staples impulse items		2. The Shelving of Grocery Items
	S-99	Studies show that the average shopper spends about 12 minutes shopping the Grocery Department. If the average shopper shops the entire department with its __________ (HOW MANY?) items, then she passes over 300 items per minute.
R-99 4,000	S-100	In the _____ (HOW MANY?) minutes she spends in the Grocery Department, the average shopper passes over 300 items per minute. In other words, she has 1/5 of a second to see and decide to buy a given item (60 sec. ÷ 300 items), assuming that she shops the entire department.
R-100 12 (minutes)	S-101	The manner in which items are shelved is extremely important since the consumer passes ________ (HOW MANY?) items per minute and has ______________________ (HOW LONG?) to see and decide to buy an item.

R-101 300 1/5 of a second	S-102	The manner in which items are displayed on the shelves affects their visibility. Good visibility depends on a number of factors, one of them being the quantity on the shelf...and good ________________ often determines whether or not the consumer will buy the item.
R-102 visibility		a. Fully-stocked shelves
	S-103	Obviously, if an item is out-of-stock, there is no visibility and therefore no sales. Less than full shelves provides a varying degree of __________________ ranging from very poor to good.
R-103 visibility	S-104	Since the shopper spends such a short time in the Grocery Department (roughly _____ minutes), it is important that she be able to locate products quickly. Fully-stocked shelves provides better visibility of items and thereby helps store sales.
R-104 12	S-105	In order to trigger an impulse purchase, products must be seen by the shopper. Further, shoppers who intend to buy a particular item when they enter the store dislike having to search for it, and would often rather do without the item instead of hunting around for it. Thus, it is obviously to a store's advantage to improve the ____________ of items stocked by keeping shelves fully-stocked.
R-105 visibility	S-106	In recent store tests, maximum full-shelf conditions were maintained throughout the Grocery Department for a two-week period. Unit sales increased on the average of 23%! Obviously, it's good business for a store to keep its shelves ___________-______________ at all times!

R-106
fully-stocked

S-107 Keeping shelves fully-stocked usually produces ***(increased ... decreased)*** sales of all items. However, one disadvantage is the monotony of row after row of fully-stocked shelves. This can be overcome by:

- Use of adjustable shelving to tailor the shelves to the size of the items displayed. This not only serves to reduce monotony, but also makes maximum use of space.
- Removal of shelves at strategic points and insertion of in-gondola slot displays. This not only helps eliminate monotony, but also encourages more complete shopping of the department.
- Use of shelf extenders at appropriate points. This not only helps relieve monotony, but also encourages tie-in purchases.
- Use of product spotters and shelf tags. This not only serves to reduce monotony, but also serves to "stop" traffic.

R-107
increased

S-108 Fully-stocked shelves improve visibility and, consequently, sales. However, the visibility of an item depends not only on keeping the shelves fully-stocked, but also on the number of facings the item has. In other words, by increasing the number of facings for an item, you can increase the ____________________ of the item.

R-108
visibility

b. Number of Facings

S-109 Within the sections of the Grocery Department, shelf space should be allocated to each type of product and then to each brand and size on the basis of relative actual and potential sales and profit. Therefore, the greater the actual and potential sales and profit on an item, the greater number of ____________________ it merits.

R-109
facings

S-110 An item with a high sales volume and a high profit should usually receive a ***(smaller ... greater)*** number of facings than an item with a low sales volume and a low profit.

R-110
greater

S-111 The greater the number of ____________ an item has, the better its visibility, the greater its total shelf stock, and the less its chances of becoming ______-_____-__________.

(NOTE: The number of facings for each item must be diligently policed because of a tendency of some items to gain or lose facings through carelessness or design on the part of customers or manufacturers' representatives. Some simple checks to maintain facings would be to list the number of facings on the inventory sheet, or to put tape mid-way back on the shelves indicating the number of facings per item on the tape.)

R-111
facings
out-of-stock

S-112 Good visibility is essential in attaining maximum sales. Good visibility entails:

- Keeping shelves __________-____________, and avoiding _______-____-____________ conditions.
- Maintaining an adequate number of __________ for each item.

Another factor affecting visibility is shelf height.

R-112
fully-stocked
out-of-stock
facings

c. Shelf Height

S-113 Tests indicate that, as the shoppers travel the aisles of the Grocery Department, their eyes generally scan from side-to-side along the shelves at waist level and at eye level. Only occasionally do their eyes travel from the top shelf to the bottom shelf. Obviously, the preferred shelf height for good visibility and maximum sales is from __________ level to __________ level.

R-113
waist
eye

S-114 Except in the case of large heavy packages, shoppers dislike stooping to reach items. Obviously then, as far as shopper convenience is concerned, the best shelf height is between __________ level and __________ level.

R-114
waist
eye

S-115 For greatest __________________ and for maximum shopper convenience, items located from waist level to eye level are at the preferred ____________ ____________.

R-115
visibility
shelf height

S-116 In recent tests, the shelf height of a group of items was changed for a two week period to measure the effects on sales:

- Unit sales of items moved from floor level to waist level in one store INCREASED 34%; the same items moved from floor level to eye level in another store INCREASED 78%.
- Unit sales of items moved from waist level to eye level in one store INCREASED 63%; the same items moved from waist level to floor level in another store DECREASED 40%.
- Unit sales of items moved from eye level to waist level in one store DECREASED 20%; the same items moved from eye level to floor level in another store DECREASED 32%.

On the basis of these tests, we can safely say that, as far as sales of an item are concerned, the best shelf height is at ________ level. The next best is about at __________ level.

R-116
eye
waist

S-117 Obviously, not every item in the Grocery Department can be shelved at the preferred shelf height, between __________ level and ________ level. Generally, the largest sizes of bulky items (such as detergents, cereals, etc.) are shelved in the bottom bin, at __________ level, because of its larger capacity.

R-117
waist
eye
floor

S-118 In addition to keeping shelves fully-stocked and maintaining an adequate number of facings, another important factor in the visibility of an item is its ________ ____________. Still another factor is the item's shelf position.

R-118
shelf height

d. Shelf Position

S-119 The shelf space devoted to a particular type of product is referred to as a section. The location of an item within that ______________ is referred to as that item's shelf position.

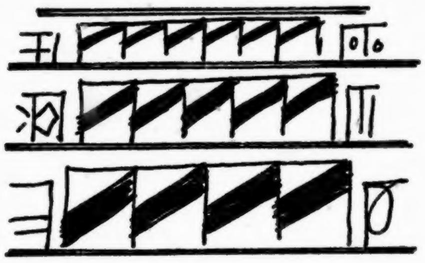
R-119
section

S-120 Each section in the Grocery Department should be a clearly defined block to simplify shopping and facilitate stock-checking and re-ordering. The location of an item within a section (that is, the item's ________ ______________) depends on the number and size of items to be stocked.

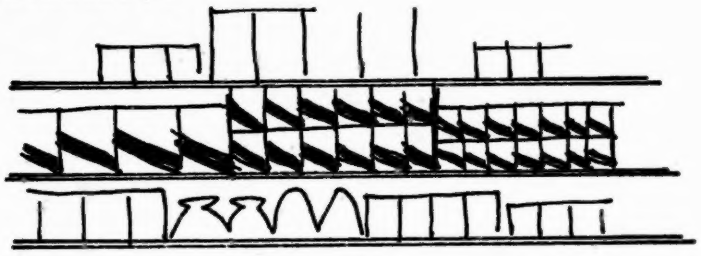
R-120
shelf position

S-121 A section may be laid out in vertical or horizontal arrangement. The type of lay-out will also affect the ________ ______________ of an item.

- Vertical layout is generally used for product groups containing a wide variety of brands, flavors, and/or sizes (such as laundry soaps and detergents, soup, cereal, and coffee).



- Horizontal layout is generally used for product groups containing a limited number of items (such as catsup) or items of compact size (such as baking mixes and most canned vegetables).



R-121 shelf position	S-122	Whether vertical or horizontal sections are used, similar types of products might be grouped together according to sizes, brands, or flavors. In a section arranged by sizes, the large sizes of all brands are placed on the bottom shelf because of its greater capacity, the medium sizes are placed on the middle shelves about _________ level, and the smaller sizes on the upper shelf about _____ level.
R-122 waist eye	S-123	In a section arranged by size, we might find sizes of a brand in several different positions: largest size on the __________ shelf; medium size on the __________ shelves; and small size on the _________ shelves. If the sizes of the same brand were aligned directly under one another, we could say that the brand was "ribboned".
R-123 bottom middle upper	S-124	Shoppers find it easier to spot items if all sizes of a brand are shelved directly under one another. A section shelved in this way is said to be _________________.
R-124 ribboned	S-125	A ribboned section improves visibility. A ribboned section is arranged by sizes with all sizes of all brands shelved *(alongside ... directly under)* one another. Some sections are arranged by brand with all sizes and flavors of a brand shelved together in what is known as a billboard effect.
R-125 directly under	S-126	Visibility is improved by ribboning a section (that is, arranging different sizes on different shelves) and by creating a _______________ effect (that is, grouping all sizes and flavors of a brand together).

R-126 billboard	S-127	Where all brands of the same type of product are billboarded, the largest-selling brand is generally placed in the center of the section. When the largest-selling brand is placed in the __________ of the section, shoppers must pass at least one half of the section to get to it. Hopefully they will proceed through the entire section, making other purchases.
R-127 center	S-128	Some sections are arranged by sizes, others by brand, and still others by flavor. That is, all sizes and brands of each __________ of a particular type product are grouped together in the section.
R-128 flavor	S-129	A particular type of product might be shelved in a vertical or horizontal arrangement according to brands, with all sizes and flavors of the same brand grouped together; for example, all sizes and flavors of each brand of salad dressing might be together. Or, the items might be shelved according to flavor, with all sizes and brands of the same flavor grouped together; for example, all sizes and brands of each ______________ (French, 1,000 Island, Russian, etc.) might be together.
R-129 flavor	S-130	When a section is arranged by flavor (that is, when all ________ and ___________ of the same flavor are grouped together), usually the most popular tasting flavor is given the preferred shelf position in the center of the section, at eye level. Other flavors are located next to it or on adjacent shelves to separate it from the next largest-selling flavor.
R-130 sizes (and) brands	S-131	As we've seen, the shelf position of items in a section is a factor in visibility, the various methods for the arrangement of a section being by _______, by __________, or by ____________. Now let us consider the use of special displays in the Grocery Department.

R-131
size
brand
flavor

3. Special Displays of Grocery Items

S-132 Many items displayed in a supermarket are Grocery Department items. This is quite logical when you consider that about ________ (HOW MANY?) items are housed in the Grocery Department.

R-132
4,000

S-133 Besides having ***(more ... fewer)*** items than any other department, the Grocery Department has more items that lend themselves to special display since they do not require refrigeration or other special care.

R-133
more

S-134 As we saw in Unit #4, the effectiveness of special ______________ as a reminder to buy was evidenced by the results of a sales audit of 1877 displays in 5 supermarkets over a 16 week period. Unit sales of items displayed increased by about 400%.

R-134
displays

S-135 You will recall from Unit #4 that there are many types of displays, including:

- Shopping Cart and Dump Basket Displays
- Small or Sore Thumb Displays
- Slot Displays
- Island Displays
- End-Aisle Displays
- Mass Displays
- Shelf Extenders

As was the case in selecting the right shelf location for high-impulse items, special displays should be built in ________ ____________ locations.

R-135
prime traffic

S-136 Displays should be located in prime __________ locations. If possible, the special display of an item should be somewhat before the customer comes to the item's normal shelf location.

R-136 traffic	S-137	Considering the usual flow of store traffic, the location of items on display should be somewhat before the item's ______________ shelf location. Otherwise, if customers buy from the shelf and later see another brand on special display, they probably won't put the first item back on the shelf but will leave it in any convenient spot.
R-137 normal	S-138	Generally, a special display is more effective if customers see the display *(before ... after)* they get to the section where the item is normally shelved. To improve the effectiveness of displays, the use of a display theme is essential.
R-138 before	S-139	The display __________ may be either hand lettered or printed on a card or poster and attached to the display. In store tests, the hand-lettered card has proved more effective.
R-139 theme	S-140	A card or poster with the __________________ __________ on it is essential because it catches the shoppers' attention. Starter gaps (that is, a few units missing) are also essential so that shoppers feel confident and buy from the display.
R-140 display theme	S-141	The use of _______________ _________ (a few units missing) gives the display a "shopped look" and inspires customer confidence.
R-141 starter gaps	S-142	A good display theme, hand lettered on a card or poster which is attached to a display with starter __________, is a big help in moving merchandise. The display should be kept well stocked, however, or else maximum sales can't be achieved.
R-142 gaps	S-143	To achieve maximum sales, a display must be kept well ________________.

R-143
stocked

S-144 We have now seen some of the major elements of effective merchandising in the Grocery Department. Use of special displays is one of the most important, since most of the items in the department *(do ... do not)* lend themselves to special displays. Now, let's look at some of the major problems of the department.

R-144
do

MAJOR PROBLEMS IN THE GROCERY DEPARTMENT

S-145 The department that contains the most items stocked, the greatest amount of shelf space, and the greatest amount of selling space ... accounts for the greatest portion of inventory investment, the largest portion of weekly sales, and the largest share of unit sales ... and, finally, contributes the *(smallest ... largest)* share of the total dollar gross profit, is not without its problems. One of these problems is the shortage of space.

R-145
largest

1. Shortage of Space

S-146 The largest of all departments (namely, the ______________ Department) contains almost 2/3 of the store's items in a little over half of the store's total selling space. This tends to create a serious shortage of space.

R-146
Grocery

S-147 The shortage of __________ in the Grocery Department is partly due to the fact that the Grocery Department houses the greater part of the brand name merchandise in the store. The competition among manufacturers to have their brands stocked in the stores and purchased by the customers is terrific. Thousands of new items are offered each year by manufacturers and hundreds of new items are added to the store's inventory each year.

R-147 space	S-148	Since the Grocery Department houses the greater part of the ________ ________ merchandise in the store, it is constantly flooded with new items. The Produce Department, for example, with relatively few nationally-branded items, does not experience such a problem.
R-148 brand name	S-149	The flood of new items each year is felt more by the ____________ Department, since most of the __________ name merchandise in the store is found in this department. New items amount to about 14% of the store's total number of items in a year.
R-149 Grocery brand	S-150	In all probability, the ____________ Department would house the bulk of the new items introduced at the store level each year (representing ____% of all items handled).
R-150 Grocery 14%	S-151	The average supermarket stocks 6000 to 7000 items. About 14% of these, or roughly ____________ (HOW MANY?) items are new items introduced within the previous year.
R-151 840 to 980	S-152	In a year's time, there is a ____% increase in the number of items stocked due to new items. In that time, there is about a 17% decrease due to discontinued items.
R-152 14%	S-153	The influx of ______ __________, and the removal of ____________________ __________ from the shelves of a supermarket, means the store's stock of items is continually fluctuating from week to week.

R-153 new items discontinued items	S-154	At first there might appear to be no real space problem if the 14% increase due to new items is matched against the ____% decrease due to discontinued items. However, the fact is that new items usually require more facings than the slow-moving items they replaced.
R-154 17%	S-155	Items are usually discontinued only after the customer demand for them has fallen off considerably. In the process of their decline, the number of facings for these items is reduced accordingly. Overall, about ____% of a store's total number of items are discontinued in a year.
R-155 17%	S-156	New items, which total 14% of the store's number of items in a year, usually require more ______________ than the slow-moving items they replaced, to keep pace with the recently created customer demand for them.
R-156 facings	S-157	The combined figures (namely, a ____% increase and a ____% decrease in the total number of items stocked) represent a change in nearly one third of the store's total inventory.
R-157 14% 17%	S-158	The bulk of the change in inventory usually takes place in the Grocery Department due to its high proportion of __________ __________ merchandise. Therefore the ______________ of _________ problems created by these changes are more prominent in the Grocery Department than in other departments.
R-158 brand name shortage (of) space	S-159	Shortage of __________ is one of the major problems in the Grocery Department. Another is damaged and outdated goods.

R-159
space

2. Damaged and Outdated Goods

S-160 Damaged merchandise (dented cans, torn packages, cut packages, etc.) is often spotted by customers and rejected at the point of sale. However, outdated merchandise (old cake mixes, gelatins, canned fish, etc.) can easily find its way into the customers' household, in which case the net result could be a lost customer. Thus, serious customer relations problems can arise due to ______________ goods and ______________ goods.

R-160
damaged
outdated

S-161 It is relatively easy for customers to discover ______________ goods at the point of sale, but not so easy to discover ______________ goods unless the customers were familiar with dating codes.

R-161
damaged
outdated

S-162 The possible loss of ________________, as well as the loss in profits, due to unsalable merchandise can be controlled by reducing carelessness.

R-162
customers

S-163 The following are some precautions to reduce _________________________ which can result in loss of customers and loss of profits.

- Careful handling and opening of cases, particularly when using a case cutter on packaged goods.
- Avoid stacking cases too high and avoid stacking heavy cases on fragile ones.
- In stocking shelves or building displays, avoid situations where products might fall of their own weight or where customers might easily knock items over or drop them.

R-163 carelessness	S-164	The possible loss of customers and the loss in profits due to unsalable goods (damaged or outdated) can be brought under control by reducing ____________________ and by checking the merchandise when it arrives at the store for damage and freshness.
R-164 carelessness	S-165	In addition to checking new merchandise for damage and freshness when it __________ ___ _____ __________, the older merchandise on the shelves should be checked and rotated during the stocking operation.
R-165 arrives at the store	S-166	Newly-arrived merchandise should be checked for damage and freshness, and older merchandise should be checked and ____________ during the stocking operation.
R-166 rotated	S-167	The possible loss of customers and the loss in profits due to damaged or outdated goods could be eliminated if the merchandise on the shelves were ____________ and ____________ during the stocking operation.
R-167 checked (and) rotated	S-168	Thus far two major problems in the Grocery Department have been touched upon: ____________ of __________; and ___________ and ______________ goods. Still another problem is incorrect price marking.
R-168 shortage of space damaged and outdated goods	S-169	3. Incorrect Price Marking Price-marking merchandise too high or too low are two aspects of ______________ price-marking. About one-quarter of the grocery clerks' time is spent performing the price-marking operation.

R-169
incorrect

S-170 Since price-marking consumes ____________ (WHAT PORTION?) of the grocery clerks' time, it should be done correctly the first time. Obviously, ____________ ________-____________ can confuse the customers and the checkers at the check-outs.

R-170
about one-quarter
incorrect price-marking

S-171 Besides incorrect price-marking, another aspect of the price-marking problem that can confuse the ____________ and the ____________ is unmarked items and/or items not clearly marked.

R-171
customers
checkers

S-172 If a pattern is not followed in price-marking items, it is quite possible that some items could reach the shelf unmarked. Many customers will not buy an ____________ item. The same holds true for items not clearly marked.

R-172
unmarked

S-173 Three problems that accompany unmarked and/or not ____________ marked items are:

- The customer may not put an unmarked or not clearly marked item into her shopping cart.
- If the customer does take the item, the checker must take additional time to check on the correct price before she can ring up the item.
- If the checker guesses the price too low, profits suffer. If she guesses too high, the store may lose a customer to competition.

R-173
clearly

S-174 The three main problems in the Grocery Department we have covered here were:

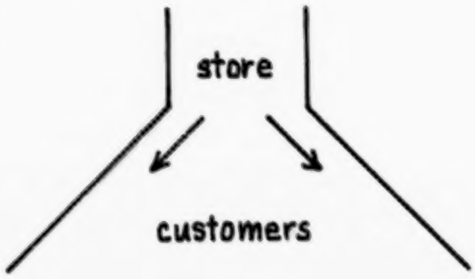
- Shortage of ____________
- ____________ and ____________ goods
- Incorrect ____________-____________

R-174
space
Damaged and oudated
price-marking

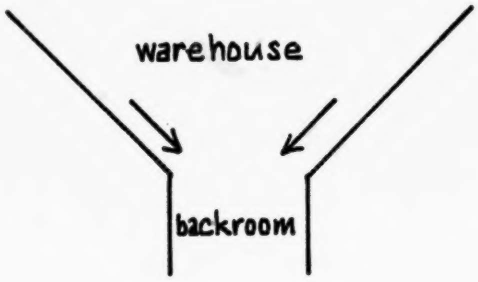
END OF SECTION II

III. OPERATIONS OF THE GROCERY DEPARTMENT

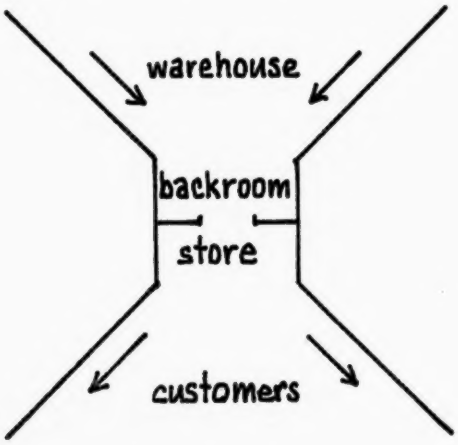
The supermarket could be viewed as an inverted funnel, with the customers at the large end clamoring for goods and the store serving as the stem, doing its best to provide the goods desired by its customers:



If it were economically feasible, it might better for the store to have a huge backroom with enough space to store products ordered direct from the manufacturers. Because of the economics of the situation, however, a wholesaler or the warehouse for a chain, voluntary, or co-op provides the function of buying and temporarily storing huge amounts of merchandise. In effect, the warehouse is the large end of another funnel, with the store again serving as the stem:



It's evident that a good amount of work and planning are necessary to keep goods flowing smoothly from the warehouse, through the store, to the customers. If the stems of the funnels are placed end to end, the picture might be better visualized:



ORDERING OF GROCERY PRODUCTS

Some Grocery Department items -- such as crackers, cookies, and soft drinks -- are generally ordered from local manufacturers or distributors on a direct-delivery basis. That is, the driver/salesman calls on a store regularly (weekly, twice-a-week, or even daily) and replenishes the store's shelf stock and backroom or reserve stock with products from his truck.

The majority of Grocery Department items, however, are ordered from a wholesaler or warehouse for later delivery. Usually, the store's order is entered in an Order Book which lists every item offered by the wholesale unit by name, size, and pack, and shows the per-case cost and selling price for each item. In some cases, pre-punched order cards are filled out by the store and sent instead, and the Order Book is retained at the store for a permanent reference.

Probably the most important aspect of ordering in the Grocery Department is determining the proper quantities to order:

- Ordering TOO LITTLE results in out-of-stock conditions, lost sales, and lost customers if shoppers go elsewhere to buy an item that is temporarily out-of-stock.
- Ordering TOO MUCH results in excessive capital tied-up in inventory, difficulties in rotating stocks and possible loss of freshness of items stored too long, inefficient use of backroom space, and excessive handling costs if backroom or reserve stock must be moved often before it's put on the shelves.

To reduce the frequency of out-of-stock and over-stock conditions, stores usually establish a definite procedure for ordering. In many cases, this procedure includes the following steps:

- An inventory is made of the merchandise on hand -- both the shelf stock and the reserve stock of each item. (In many stores, items are not ordered unless shelf stock is low enough that an entire case of the item can be put on the shelf when it's delivered.)
- The past sales movement for each item is checked. This is often done by checking past orders and comparing quantities ordered with stock on hand.
- The store's promotional plans for the week following the scheduled delivery date are checked. Larger quantities are ordered for those items that are to be featured in the store's advertising and/or be specially displayed in the store.

Most stores place their orders for Grocery Department items once a week. However, some stores receive deliveries on two or more days of the week. In these cases, the order must specify when certain items are to be shipped. For example: a store receiving three deliveries a week may order six cases of an item with one case to be delivered on Monday, three on Wednesday, and two on Friday.

As can be seen, multiple deliveries tends to make the ordering process somewhat more difficult. However, the big advantage is that stores need not keep as large a backroom or reserve stock of items.

RECEIVING, HANDLING, AND STORING GROCERY PRODUCTS

The backroom is a stopping-off point for Grocery Department products before they are placed on the selling floor. The receiving and handling operation includes: unloading warehouse trucks; separating the products into categories; positioning them within the assigned storage areas; and readying the goods for shelf stocking and sale. Obviously, the objective is to handle these activities in a minimum amount of time with the optimum use of personnel.

Actually, the term "backroom" is somewhat misleading. In some supermarkets storage space for grocery products is in the basement rather than at ground level in back of the selling floor. Although the ground level arrangement is usually preferred, a two-level operation can be as efficient if properly designed. In most cases, the terms "backroom", "storeroom", and "stockroom" are used interchangeably.

The major considerations in the smooth flow of goods from the warehouse trucks to the backroom and from there to the selling floor are: the best utilization of personnel and equipment, and the efficient layout of the backroom.

1. Personnel

One person should have ultimate responsibility for the entire backroom operation. The same person should: be in charge of the back door of the backroom, admitting all delivery men or other persons who might have reason to enter by that means ... head-up the receiving and handling team when the warehouse trucks arrive ... and also be responsible for the employment of work-reducing techniques that eliminate duplication of effort.

Many supermarkets today use a night crew to unload warehouse trucks, price-mark items, stock shelves in the store, and build displays. Stores using night crews often cite the following advantages for that type of operation:

- Larger equipment can be brought onto the selling floor because no customers are present at the time.
- More merchandise can be carried out on each trip with the larger equipment, so fewer trips are required to replenish shelf stocks.
- Unloading and shelf-stocking operations can proceed without interruption -- no stopping to answer customers' inquiries, no running to help out at the checkout counters, etc.
- The whole procedure can be handled in less time.
- Shelves are fully-stocked before the first customers enter the store in the morning.

Some of the major disadvantages of using night crews for the unloading and shelf-stocking operations are:

- Lack of full-time crews during the day reduces the store's ability to provide adequate customer service and increases the possibility of customer pilferage.
- Night crews usually receive a higher wage rate, thus offsetting (in part, at least) the benefit gained through faster unloading and shelf-stocking.
- Supervising and motivating employees is more difficult.
- There is less flexibility in work assignments. (With daytime crews, stock clerks can be shifted to bagging and carry-out assignments during peak periods. However, schedules must be arranged so that the entire crew can be immediately available at the time the trucks arrive, with no loss of effectiveness in the overall store operation.)

2. Equipment

In most supermarkets, gravity conveyors are used in unloading grocery products from the warehouse trucks and moving them into the backroom. One of the biggest problems involving the use of this equipment is the proper positioning and utilization of the conveyors. The problems shouldn't really exist, because most systems can be tailored to the facilities and space available by the use of switches, cross tracks and curves in the tracks.

In the placement of conveyors for unloading products and putting them into stock in the backroom, the following points should be considered:

- Conveyors should be accessible to all storage areas.
- Storage areas should be perpendicular to the conveyors so that the products can be swung off the conveyor right into place.
- There should be enough space at either side of the conveyors for the unloading crew to swing the merchandise from the conveyor to the storage area.

Some stores have implemented a pallet and fork lift operation in order to reduce costs by increasing efficiency. A pallet, usually made of wood, resembles a small platform with two open sides that allow the forks of a forklift truck to be inserted beneath the main floor of the platform. The forklift operator can raise an entire pallet load (the pallet stacked with merchandise) off the ground and haul the load to any desired location. (SEE DIAGRAM A)

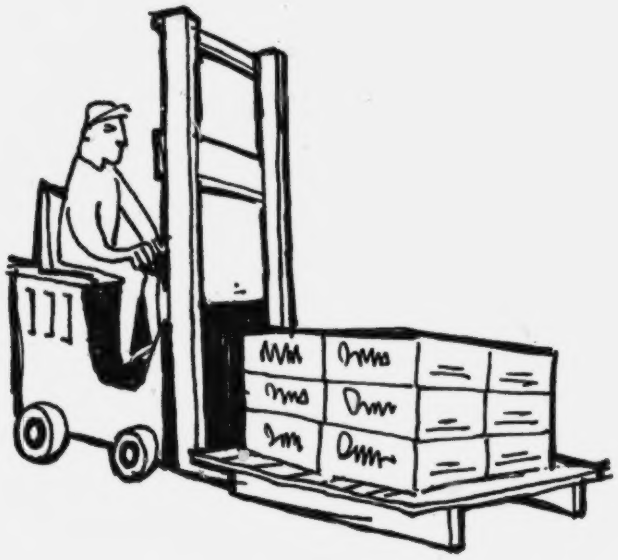


DIAGRAM A

3. Backroom Layout

The layout of the backroom is vitally important if the receiving and handling operation is to be completely smooth and ready for the continuous flow of goods.

Some points to consider about the backroom layout are:

- Does the layout of the backroom closely parallel the layout of the selling floor of the store? (For easier stock-checking and shelf-stocking, items which are shelved side-by-side down each aisle from the front of the store to the back should be stored side-by-side in the backroom.)
- Are the fastest-selling items stored nearest to the selling floor so that the distance traveled in re-stocking shelves is minimized?
- Can the older stock be rotated forward in the storage areas when newer stock is being put away?
- Can all of the merchandise be reached with a minimum amount of effort after it has been put in stock?
- Is the backroom large enough to accommodate reserve stock without having to pile cases too high? (If not, overhead racks for storing small cases and slow-moving products might be the answer.)
- Is there a designated area for damaged merchandise? ... for goods left over from old displays? ... for seasonal items?
- Is there enough room to cut cases and price-mark items if this is done in the backroom instead of on the selling floor?
- Is there a special location for safe storage of valuables such as cigarettes -- a locked cage or a separate room with a lock, for example?

If these questions can be answered in the affirmative, the job of receiving and handling goods arriving from the warehouse can be speeded considerably.

STOCKING SHELVES IN THE GROCERY DEPARTMENT

The shelf-stocking operation actually consists of four separate and key steps: checking shelf stocks; cutting cases; price-marking each item; and putting the items on the shelves.

1. Checking Shelf Stocks

The shelf-stocking operation begins with a check of the stock on the shelves. In most stores, shelves are checked and shelf stocks are replenished daily. On busy days, spot checks should also be made throughout the day, especially on fast-moving items, to ensure that no item becomes out of stock.

In checking shelf stocks, a printed list of items is often used. Ideally, the items are listed by aisle and by section in the same sequence as they are shelved on the selling floor. Then, the person doing the checking merely proceeds down each aisle and marks the items that need to be replenished. (SEE DIAGRAM B) As he finishes a section, he may send the sheet for that section to the backroom so the stock clerks can begin gathering the items needed and start stocking the shelves immediately.

In some stores, the person checking the shelves and the person in the stockroom communicate by means of headset power phones. (SEE DIAGRAM C) The stock-checker proceeds through the store aisle-by-aisle and "calls in" the items that need to be replenished. The stock clerk then takes the needed items from the backroom stock and puts them on the stock cart for transport to the selling floor.

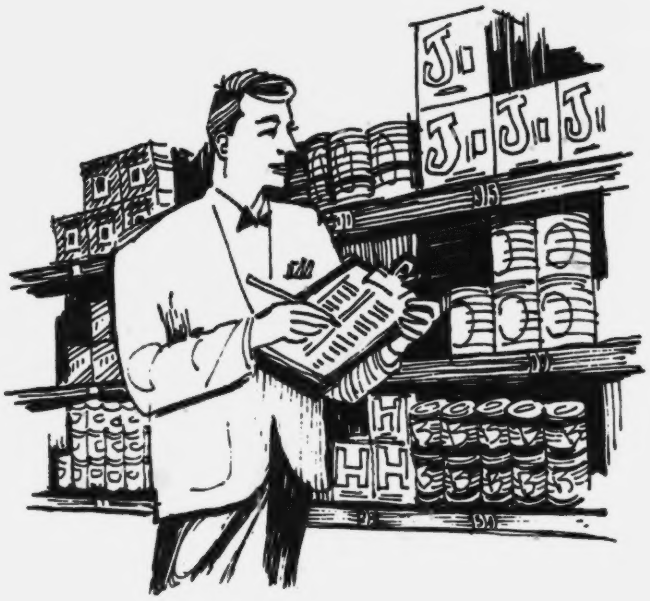


DIAGRAM B

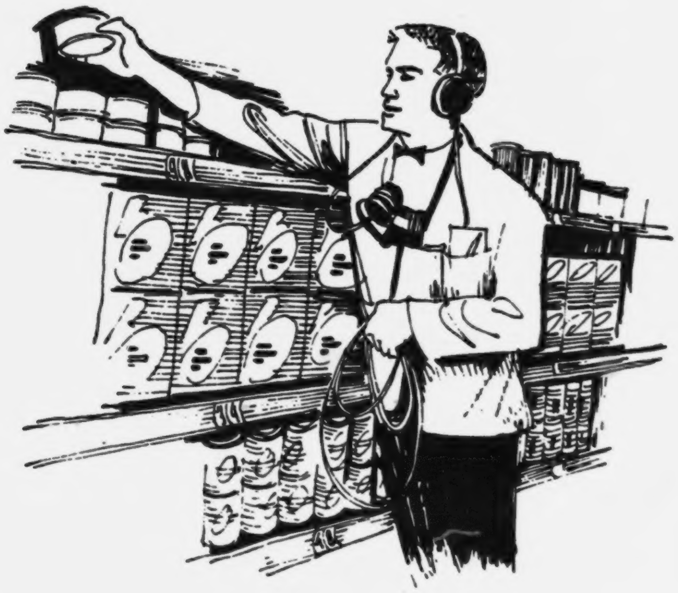


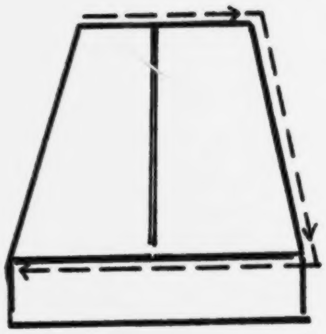
DIAGRAM C

2. Cutting Cases

For greatest efficiency in cutting cases and to avoid damaging the contents of the cases, a good sharp cutter is essential. Obviously, the sharper the cutter, the greater the danger of injury. So extreme caution should be used in cutting cases.

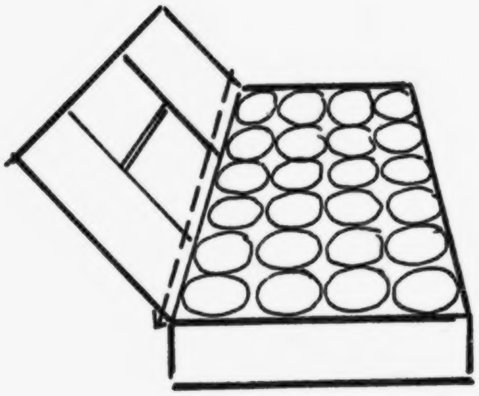
There is a "right" and a "wrong" way to cut cases. The following methods have been found best from the standpoints of speed, safety to the contents, and the prevention of injuries.

- Removing the lids on canned goods



STEP I --

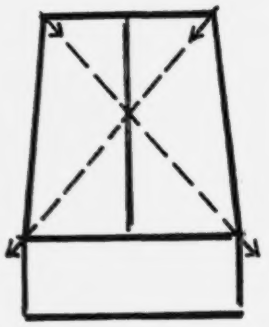
cut around 3 sides with a single motion



STEP II --

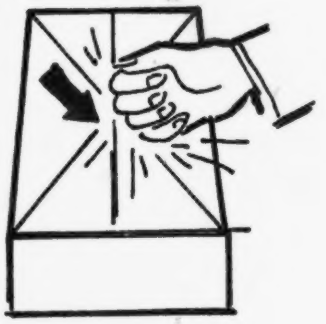
fold back lid and cut it off

- Opening paper-packaged merchandise (soap powder, cake mixes, etc.)



STEP 1 --

cut from corner to opposite corner from both ways forming "X" on top of carton flaps

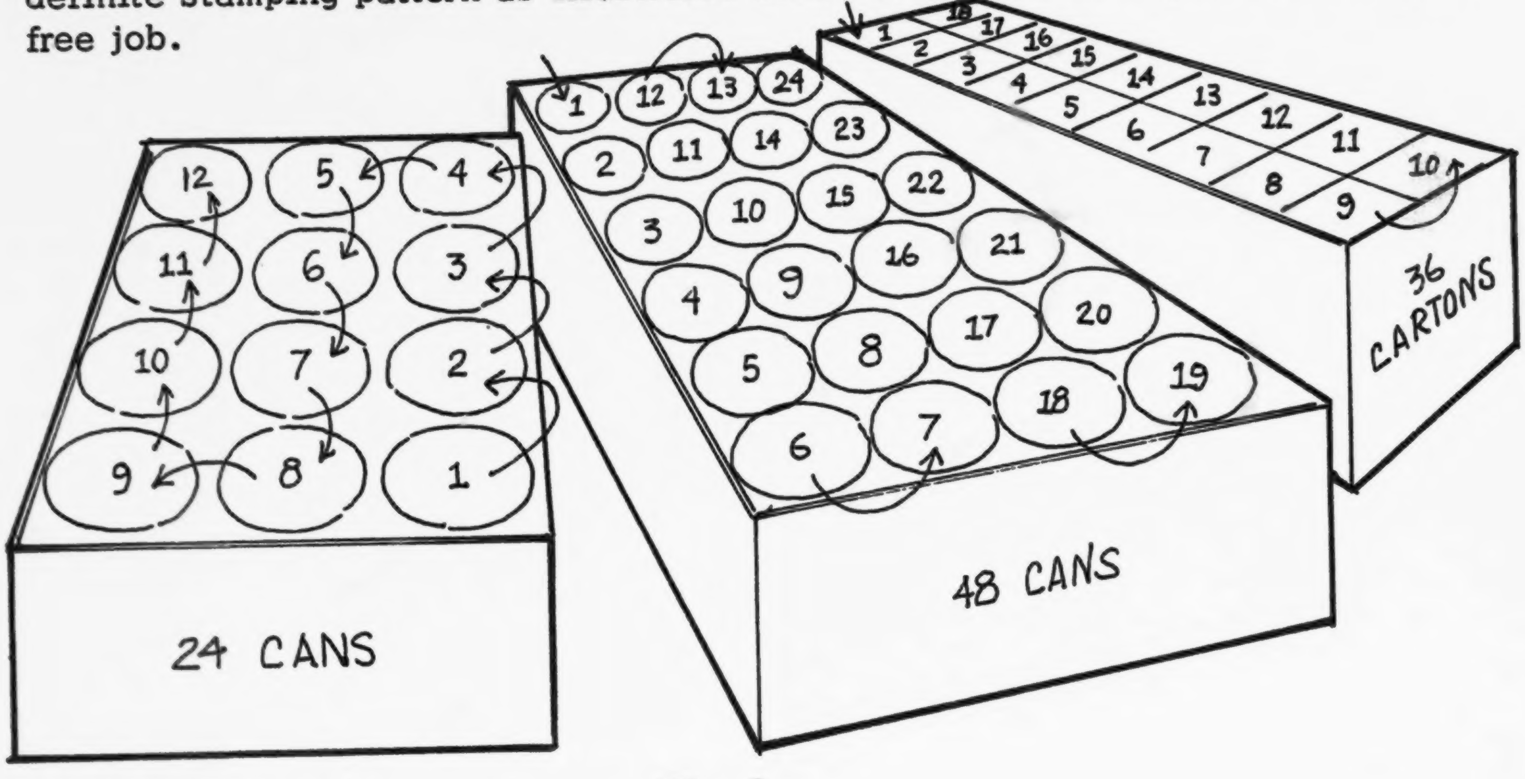


STEP II --

rap center of "X" with fist, to "pop" flaps open

3. Price Marking

Although some products sold in the Grocery Department are already price-marked by the manufacturer, most items must be price-marked at the store. Once a case is opened, a procedure for marking the goods is needed. A definite stamping pattern as illustrated below will make for a quick and error-free job.



Generally, price sticks or a single-unit price marker are used in price-marking individual items. (SEE DIAGRAMS D AND E) Price sticks are somewhat easier to use, but the single-unit marker is more compact and more portable.

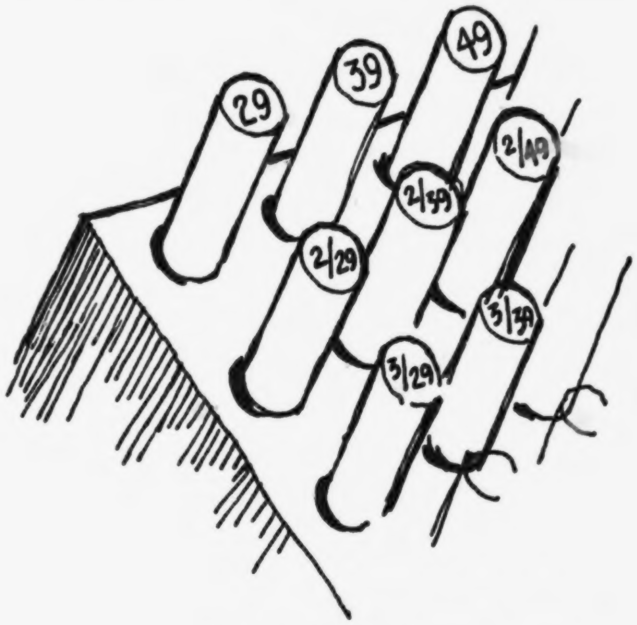


DIAGRAM D

Price Stick Marking Gear. Individual price sticks rest in sockets with ink pads beneath them.

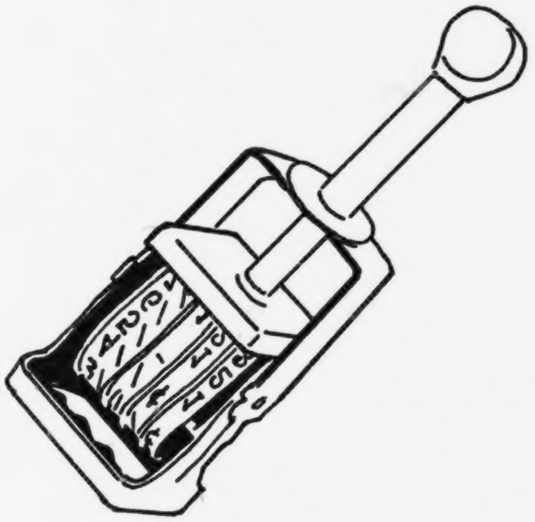


DIAGRAM E

Single-Unit Price Marker. A self-contained marker which contains all numerals and the ink pad.

In many stores, the price-marking operation actually begins when the merchandise is being unloaded from the truck. The unit price of the item is marked with a crayon on the side of each case. These prices can be taken from the copy of the invoice usually delivered by the truck driver.

In some stores, cases are cut and items are price-marked at the time they're unloaded from the warehouse truck. (SEE DIAGRAM F) Then, the items are loaded directly onto the stock cart for transport to the selling floor and stocking on the shelves.

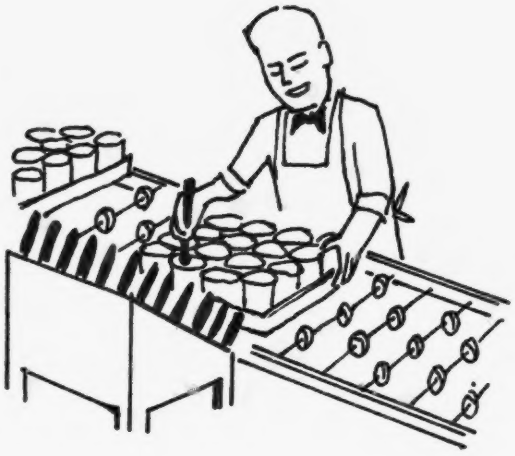
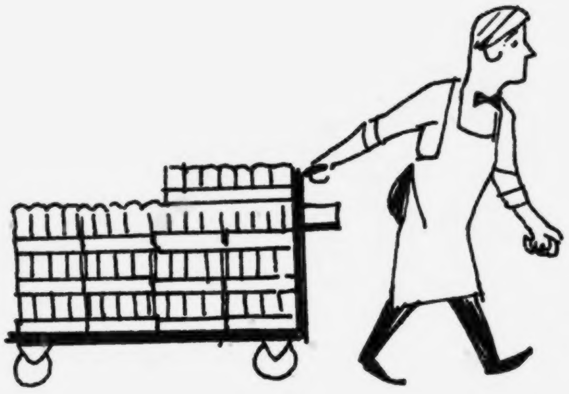


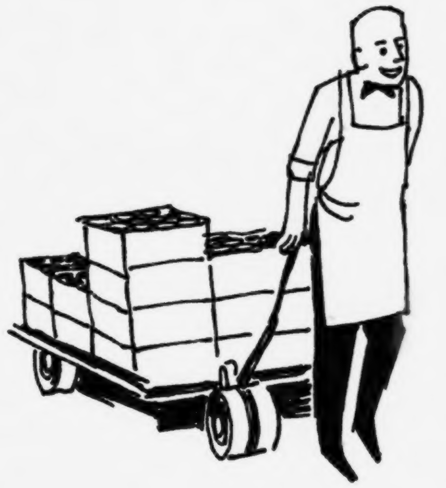
DIAGRAM F

If at all possible, the goods should be price-marked in the backroom before being loaded on the stock cart and brought out to the floor. If space does not permit, of course, the goods can be marked out on the selling floor while still on the stock truck.

Two popular types of grocery stock trucks are illustrated below.



This type is the more common. Besides being lighter and easier to move, pricing gear can be carried in the basket on the upper portion of the handle.



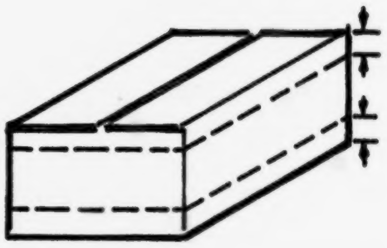
This type grocery stock cart is often found in operations using the pallet system. It serves the dual purpose of an unloading vehicle and a stocking vehicle.

4. Stocking Shelves

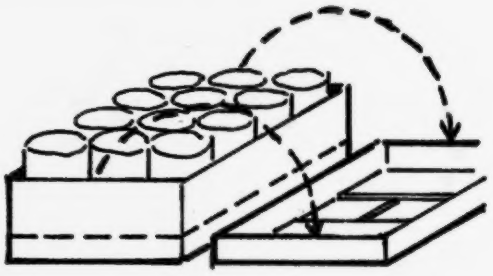
After the goods have been price-marked and trasnported to the selling floor at the correct section, they can be put on the shelves. Some steps that might be followed in this operation are:

- Pull out the old merchandise from the shelf.
- Dust the shelf with a rag.
- Place the new merchandise to the rear of the shelf.
- Dust the older merchandise off and place it on the front of the shelf.

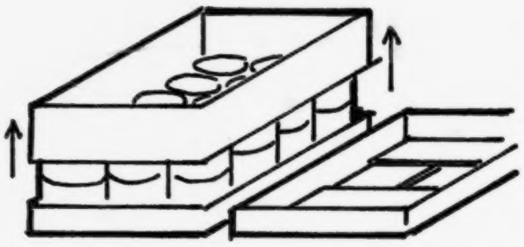
In some stores, the tray-pack method of stocking shelves is used, particularly for canned and bottled goods. The trays in this instance are the tops and bottoms of the cardboard cases that the merchandise was originally shipped in. One procedure for tray-stocking merchandise is presented below.



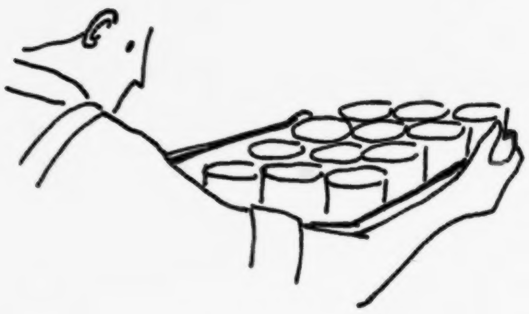
Containers are cut around both the top and bottom, leaving a border of 1" to 2" on top and bottom lids.



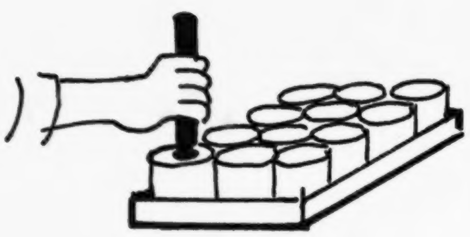
Top lid of container is removed, turned over and placed alongside the container of merchandise.



The sleeve (center ring of cardboard) is pulled up off the bottom layer of merchandise in the carton.



Entire top layer of merchandise is picked up by hugging the sleeve. This portion of merchandise is transferred to the empty lid.



Items are price-marked and trays are loaded on the stock trucks bound for the selling floor.

Some of the major advantages of the tray-pack method cited by users of this system are:

- Saves time in putting products on the shelves.
- Reduces handling of individual cans and bottles by store personnel, and therefore reduces the possibility of damage and breakage.
- Facilitates stock rotation.
- Customers are less able to disrupt the goods on the shelf.

Some disadvantages commonly cited for the tray-pack method include the following:

- Reduces full-product visibility for customers.
- Before putting a tray-pack on the shelf, items must be aligned to "face out" all product labels.
- Full cases must always be put on the shelf.
- Housekeeping problems arise unless store personnel regularly patrol the department to remove empty case tops and bottoms.
- Case sizes are rarely suited to available shelf space.

Many stores have found the tray-pack method ideal for certain high-volume items (such as canned soup), but not too practical for other items. Many have also found the tray-pack method advantageous for special displays of practically any Grocery Department item.

HANDLING PRICE CHANGES

Competitive situations, increases and decreases in suppliers' prices, and special promotions and sales create a never-ending flow of price changes. An accurate and rapid system for handling these price changes is a "must". Unless a store has such a system, it risks a loss of profit as well as a loss of customers.

Some points to be considered about handling price changes are:

- Old prices must be completely removed (if solvent and steel wool are used) or completely covered (if pressure-sensitive tape or labels are used).
- A definite stamping pattern should be used in marking the new prices.
- New prices must be legible.
- Shelf-strip prices on the edges of the shelves must be changed.
- Backroom inventory marked with the old prices should be re-marked.
- Price changes must be noted in the order guide.
- Check-out clerks should be notified of the price changes and should enter the changes on the price-lists maintained at the check-out counters in many stores.

Considering the rapidity and the frequency of price changes in the average supermarket, the job of handling such changes properly can be a big one. However, if a definite procedure is established and maintained, the work will be minimized and the possibility of error will be reduced significantly.

SELF-QUIZ

Self-Study Unit #6

This Self-Quiz is intended not as an examination, but rather as a learning tool to help check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (CIRCLE THE CORRECT ANSWER) Direct labor costs in the Grocery Department are generally (higher ... lower) than the overall store average. (I-4)

2. The Grocery Department in a typical supermarket includes ______ (HOW MANY?) product categories. (I-5)

3. (TRUE or FALSE) The Grocery Department accounts for about 2/3 of a supermarket's total inventory investment. (II-1, S-3) __________

4. (TRUE or FALSE) The Grocery Department accounts for almost half of the total dollar sales in a typical supermarket. (II-2, S-8) __________

5. What portion of a typical supermarket's total gross profit dollars are generated in the Grocery Department? (II-2, S-9)

6. The Gross Margin in the Grocery Department is about ______% to ______%. (II-3, S-11)

7. (TRUE or FALSE) Shoppers tend to take the Grocery Department for granted. (II-5, S-22) __________

8. What is the average annual turnover for the Grocery Department? (II-8, S-13) ________ turns

9. Which three product categories below have the highest annual rate of turnover? (II-8, S-36)

☐ Cereals
☐ Baby Foods
☐ Sugar
☐ Dried Fruits
☐ Baking Mixes
☐ Crackers and Cookies

10. The average weekly sale per item in the Grocery Department is about _____ (HOW MANY?) units. (II-9, S-40)

11. In the Grocery Department of a typical supermarket: (II-9 to II-10, S-42 to S-48)

- 1 out of _____ items sells more than 1 case per week.
- 1 out of _____ items sells more than 2 cases per week.
- 1 out of _____ items sells more than 6 cases per week.
- 1 out of _____ items sells more than 10 cases per week.

12. Which three product categories below have the highest weekly dollar sales in the Grocery Department? (II-12, S-55)

☐ Desserts
☐ Cigarettes
☐ Sugar
☐ Soft Drinks
☐ Coffee, Tea, and Cocoa
☐ Paper Products

13. What is the weekly gross profit dollars per linear shelf foot for the Grocery Department of a typical supermarket? (II-14, S-65) $_________

14. Direct product profit for a group of items can be figured by subtracting the ___________ ___________ ___________ for handling and selling all the units sold from the dollar ___________ ___________ realized on the sale of the units. (II-17, S-80)

15. Which three product categories below provide the highest annual return on inventory investment in the Grocery Department? (II-18, S-85)

☐ Cereals
☐ Canned Meats
☐ Canned Vegetables
☐ Dried Fruit
☐ Cigarettes
☐ Cookies and Crackers

16. (TRUE or FALSE) All high-demand staples in the Grocery Department should be shelved together. (II-19, S-91) _________

17. (TRUE or FALSE) The best impulse items in the Grocery Department should be shelved in prime traffic locations. (II-19, S-91) _________

18. (TRUE or FALSE) Items with high actual and potential sales and profit should generally receive a greater number of facings than items with low actual and potential sales and profit. (II-23, S-109) ________

19. What is the preferred shelf height for most items? (II-24, S-113)

- ☐ Eye level
- ☐ Waist level
- ☐ Floor level

20. Three main problems in the Grocery Department are: (II-36, S-174)

- ☐ Shortage of space
- ☐ Vacation schedules
- ☐ Damaged and outdated goods
- ☐ Personality conflicts
- ☐ Poor delivery schedule
- ☐ Incorrect price-marking

21. (TRUE or FALSE) Probably the most important aspect of ordering in the Grocery Department is determining the proper quantities to order. (III-2) ________

22. (TRUE or FALSE) One of the biggest problems involving the use of backroom equipment is the proper positioning and utilization of the gravity conveyors. (III-4) ________

23. (TRUE or FALSE) Price-marking and handling price changes consumes only a small part of the grocery clerks' time. (III-12) ________

24. (TRUE or FALSE) In handling price changes, it's usually best to leave the old price visible. (III-13) ________

25. (TRUE or FALSE) When the price of an item is changed, backroom stock of the item should be price-marked with the new prices. (III-13) ________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Only Copy

Self-Study Unit 7

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Meat Department

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry . . . Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #7

In Unit #6, we studied in depth the single largest department in the supermarket, the Grocery Department. Now, we will look at what many consider to be the single most important department, the Meat Department.

As we'll see, the Meat Department is unique in that it is virtually a self-contained manufacturing plant within the supermarket. As might be expected, there may be a great variation in methods of operation in different stores and, in fact, even in the emphasis placed on the department. Although an attempt has been made to mention many of these differences, some of the methods described in this Unit may not apply to every store. Specifically, in this Unit, we will study:

Section I. THE SCOPE OF THE MEAT DEPARTMENT

- A. Location and Layout of the Meat Department
- B. Personnel in the Meat Department
- C. Comparison of Self-Service, Semi Self-Service, and Butcher-Service Departments

Section II. THE MEAT DEPARTMENT IN THE MODERN SUPERMARKET

- A. Importance of the Meat Department
- B. Product Management in the Meat Department
- C. Elements of Effective Meat Merchandising
- D. Major Problems in the Meat Department

Section III. OPERATIONS OF THE MEAT DEPARTMENT

- A. Ordering of Meats
- B. Receiving, Handling, and Storing Meats
- C. Cutting, Trimming, and Packaging Meats
- D. Grades and Popular Cuts of Fresh Meat

I. THE SCOPE OF THE MEAT DEPARTMENT

To most people, meat is the most important part of a meal ... and it's also usually the most expensive part of the meal. As a result, many homemakers go out of their way to shop at a store with a Meat Department that offers a wide selection of high-quality meats at reasonable prices.

Meat is also extremely important to the supermarket. Not only does the Meat Department account for a large share of store sales and profits, it also provides a greater opportunity to create a distinctive store image and to build customer loyalty than the other departments (with the possible exception of the Produce Department), because of the similarity of products and brands in those departments from one store to the next.

LOCATION AND LAYOUT OF THE MEAT DEPARTMENT

The tremendous importance of the Meat Department, both to the store and to its customers, high-lights the need for the department to be located and laid-out for greatest customer convenience and maximum sales.

1. Location of the Department

Until recently, the Meat Department was almost always located across the back of the store. In some newer stores, the Meat Department is located along the side of the store with the incoming flow of traffic ... or, in a few cases, in the center of the store. Each of these locations presents certain advantages in terms of customer convenience and traffic patterns.

- Across the BACK of the store.. Customers can walk the side aisle to the back of the store and make their meat purchases. Then, they can proceed on to the Produce and other Departments, or down the Grocery Department aisles. (SEE DIAGRAM A)

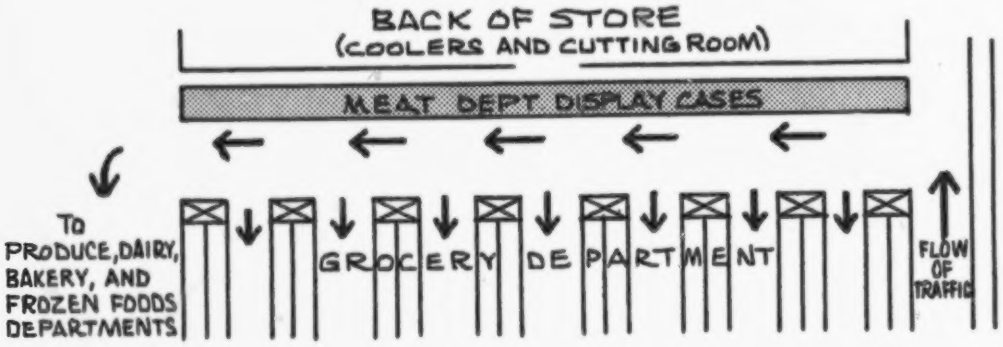

BACK OF STORE
(COOLERS AND CUTTING ROOM)
MEAT DEPT DISPLAY CASES
TO PRODUCE, DAIRY, BAKERY, AND FROZEN FOODS DEPARTMENTS
GROCERY DEPARTMENT
FLOW OF TRAFFIC

DIAGRAM A

- Along the SIDE of the store. When the Meat Department is located along the side of the store with the incoming flow of customer traffic, shoppers can pick up their meat items first and then branch off into the Grocery Department aisles that run perpendicular to the Meat Department. (SEE DIAGRAM B)

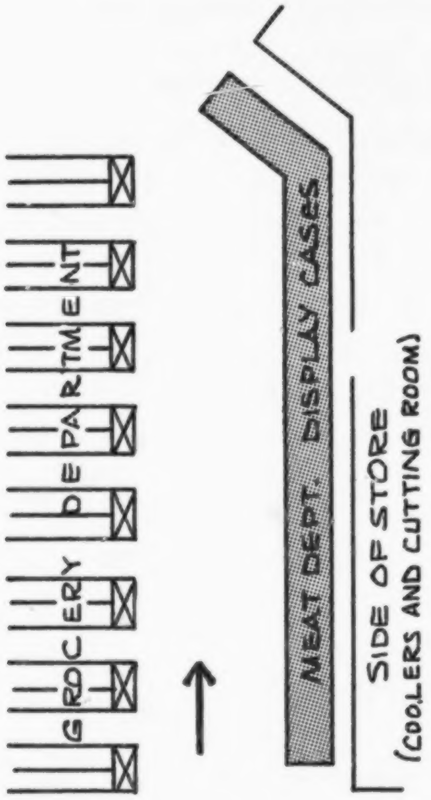

GROCERY DEPARTMENT
MEAT DEPT. DISPLAY CASES
SIDE OF STORE
(COOLERS AND CUTTING ROOM)

DIAGRAM B

- In the CENTER of the store. In the "spoked wheel" arrangement used in some stores, the Meat and/or the Produce Department is positioned in the center of the store. The idea here is to guide customers through part of the Grocery Department on the way to the center of the store for their meat purchases, and then have them move out through the spokes making other grocery purchases on the outbound trip. (SEE DIAGRAM C)

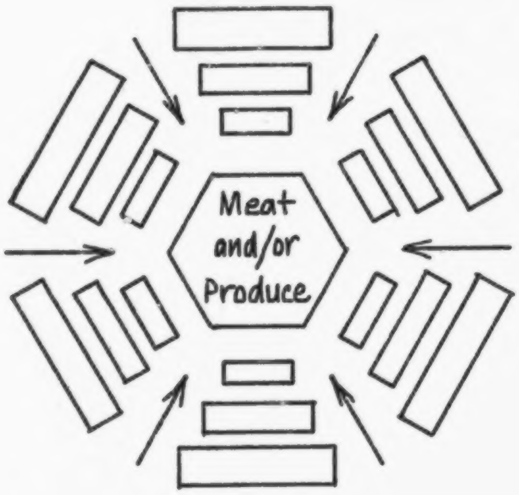

Meat
and/or
Produce

DIAGRAM C

2. Layout of the Department

The physical layout of the department will of course depend on its location and the amount of floor space available, and also on whether the department is butcher-service, self-service, or semi self-service. In a butcher-service operation, the butcher can go to the cooler to get a piece of meat for the customer. In a self-service operation, however, the meat must be displayed so the customer can make a choice. Thus, a self-service operation requires considerably more display case space. A semi self-service department (a self-service department with a separate service area) fits somewhere in between with respect to space requirements.

Since the Meat Departments in most supermarkets are self-service departments, our discussion here will center on this type of operation. However, many of the same points apply as well to butcher service and semi self-service operations. (The major differences between self-service, service, and semi self-service Meat Departments are covered later in this Section.)

Self-service display cases should be arranged for convenient selling and stocking. They should be located near the cutting and wrapping room, and away from drafty and dusty areas. Drafts due to air conditioning ducts, fans, and proximity to the outside doors can seriously affect the cooling capabilities of the display cases. Dust from the street or the backroom, or proximity to dusty produce such as potatoes, can create sanitation problems and detract from the appearance of meat in the open display cases.

Diagram D shows the display cases arranged in a long straight line across the back or along the side of the store. This layout is most widely used today, although other types of layouts are gaining in popularity. The long straight line layout discourages back-and-forth shopping in the Meat Department, but serves to remind customers of other meat items to buy as they pass near the meat cases while going up and down the aisles of the Grocery Department. On the other hand, the closeness of the departments sometimes creates traffic problems between Grocery Department shoppers and Meat Department shoppers.

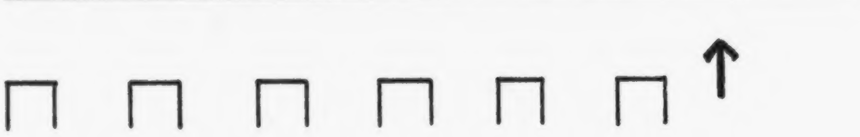


DIAGRAM D

A more compact department shown in Diagram E below features double-tiered coolers and special display cases out in front of the regular cases. This arrangement has more impact and gives the department greater depth. The increased depth of the department somewhat alleviates the traffic congestion problem common when the Grocery Department aisles run right up to the heart of the Meat Department.

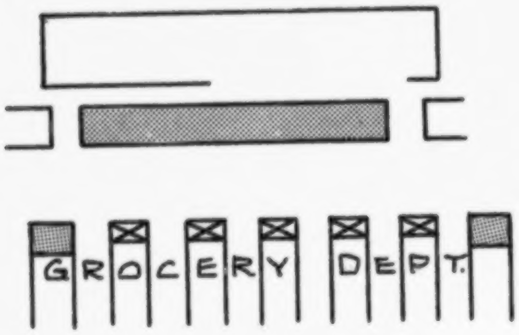


DIAGRAM E

In the layout shown in Diagram F below, it can be seen that the Meat Department juts out. This is an attempt to create the traditional butcher shop effect where the customer can see the cutting and wrapping operation and perhaps get some advice concerning various cuts of meat and cooking methods.

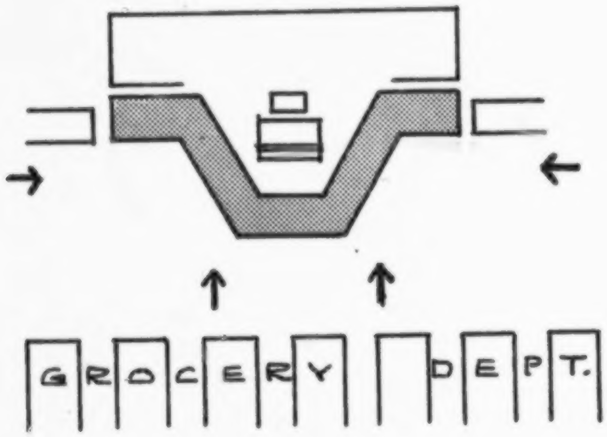


DIAGRAM F

3. Arrangement of Products in the Display Cases

There are many different approaches to displaying meat in the Meat Department. A few of them are:

- Cooking Method. In this arrangement, products are grouped according to their method of preparation. Groupings might include:
  - -- Meats to Broil ... steaks, chops, ham slices, chicken parts, broilers, etc.
  - -- Meats to Braise ... round steaks, swiss steaks, chuck steaks, stew meats, stewing hens, etc.
  - -- Roasts ... rib roasts, roasts of beef, legs of lamb, pork roasts, etc.
  - -- Pot Roasts ... chucks, heel of round, etc.
  - -- Luncheon and Smoked Meats
- Product Category. In this arrangement, the products are displayed by type, with all the cuts of each type together. For example, all the retail cuts of Beef are grouped together -- beef steaks, roasts, beef liver, ground beef, ground chuck, beef tenderloin, pot roasts, etc. Similarly, all the retail cuts of Pork are grouped together, as are the cuts of Lamb and Veal as well as luncheon and smoked meats, variety meats, poultry, and fish.
- Color Combinations. Some Meat Departments are arranged in what might be called color combinations. (Red Meat interspersed with White Meats, etc.) While this method adds eye appeal to the display case, it is doubtful that it really helps the customer find what she wants when shopping the department or adds to the department's sales.
- Impulse Items. In some Meat Departments, impulse items are arranged so the shopper comes to them first. The reasoning is that the shopper didn't really come to buy these items, so it's better to attract her with them before she carries out her intended plans and leaves the department. In other Meat Departments, impulse items are scattered throughout the department as well as at the end of the department. The aim here is to keep the customer progressing through the entire department.
- Service Section of a Self-Service Department. In stores that combine a service and a self-service operation, the service section is often located at the far end of the department. This is of course another method of encouraging full department shopping.

PERSONNEL IN THE MEAT DEPARTMENT

Preparing meat for sale is difficult and demanding work. Employees in the Meat Department must possess a high degree of technical skill and must use care and good judgement in performing their work. This is imperative not only because of the importance of meat as far as the customers are concerned, but also because of the high value of the items handled in the department. A mistake in cutting a hindquarter, for example, can be extremely costly in terms of the value of the retail items which the hindquarter will yield.

In a typical supermarket, the Meat Department staff includes:

- Meat Department Manager. The Meat Department Manager is responsible for planning, organizing, directing, coordinating, and controlling all phases of the operation. He is usually answerable to the Store Manager or owner for the profitability of the department.

  Since the members of the Meat Department's staff must be highly-skilled workers, the Meat Department Manager has a considerable responsibility for training the employees under his supervision. This applies not only to the newer personnel, but also to the experienced cutters and wrappers. Training in the Meat Department must be a continuous process because new cutting tests which are constantly made often reveal the changing customer desires in cuts of meat.

  In a department of the size and importance of the Meat Department, it is no easy task for a Manager to be proficient in every phase of the operation -- ordering, receiving, storing, handling, cutting, wrapping, displaying and merchandising meat ... as well as financial control, customer relations, employee relations, and coordinating with other Department Managers.

- The Assistant Meat Manager. In many stores, the Assistant Meat Manager is delegated the responsibility for certain phases of the Meat Department operation -- the ordering and/or wrapping operations, for example. In addition, he helps the Meat Department Manager in the over-all management of the department, and is often called upon to take over the department in the absence of the Department Manager.

- Cutters. Quite naturally, a cutter starts out working with the simpler cuts of meat. On-the-job training and observation should soon turn him into a good "knife man" capable of working with the most complex cuts of meat.

In a large operation, there is a certain amount of specialization on the part of the cutters. That is, one or two men may spend most of their time breaking down carcasses into the primal cuts, another may specialize in cutting and tying roasts, another in cutting steaks and chops, and so on. This kind of specialization is a factor in achieving grestest efficiency and maximum utilization of equipment in the cutting room.

- Wrappers. Large self-service Meat Departments often include one or more people whose primary job is to wrap and label retail cuts for sale. This task requires a great deal of patience and dexterity. The position is extremely important, since the package is one of the best "salesmen" the meat has. In many stores, women are employed as wrappers.

As can be seen, the employees of the department must work together as a team. It is the Meat Department Manager's job to co-ordinate all the activities of the department to achieve an efficient, smooth-running operation. And, it is the responsibility of every employee in the department to work together with the other members of the team toward the same end.

COMPARISON OF SELF-SERVICE, SEMI SELF-SERVICE, AND BUTCHER-SERVICE DEPARTMENTS

Self-service in the Meat Department came about not only because the retailer liked it, but also because the customers liked it. The method appealed to the customers in the same way that self-service in the Grocery Department appealed to them.

The earliest grocery stores sold only groceries and left the meat business to the neighborhood butcher. The more enterprising grocers and butchers teamed up and formed combination stores. By 1929, about one-third of the stores in the country carried meat in addition to groceries.

In 1929, some grocers ventured into self-service meats but soon had to abandon the attempt because of the high labor cost involved. There was no transparent wrapping paper available at the time, and customers refused to buy pre-wrapped meat that they could not see. Special clerks had to be on hand to wrap the meat as the customers chose their cuts, thus defeating the purpose of the self-service idea.

Just prior to World War II, some important advances were made in the development of refrigerated display cases for the Meat Department. The War cancelled these efforts until 1946 when further attempts were made to develop suitable display cases for meats. Transparent wrapping films closely followed the development of the refrigerated display cases which lent more impetus to the change to self-service in the Meat Department.

Today, about 70% or 75% of all the meat sold in retail food stores in this country is sold via the self-service method. Advocates of the self-service meat operation usually cite the following as the major advantages of self-service:

- Produces greater total Meat Department sales.
- Results in greater productivity and efficiency for Meat Departments doing about $1,500 or more in weekly sales, though less efficient for small operations.
- Speeds the movement of customer traffic.
- Makes shopping for meat faster for customers.
- Provides customers with fresher meat.
- Permits greater use of tie-in promotions in which items from other departments can be displayed with meats.

People who prefer the butcher-service Meat Department often cite these disadvantages of self-service:

- Customer contact with Meat Department personnel is limited.
- The opportunity for suggestive selling by the butcher is lost.
- Packages must sell themselves.
- Displays are hard to keep neat.
- Wider variety of meats must be on display, even slow-moving items.
- Weights-and-measures problems occur due to shrinkage.
- Pre-packaged meat often has short shelf life due to changes in temperature and/or exposure to light.
- Reprocessing costs are incurred when turnover is lower than anticipated -- the meat has to be unwrapped, reprocessed and rewrapped.

One of the greatest objections to the self-service type of meat operation is the fact that customer contact is limited. To many people in the industry, this is an important short-coming of self-service. Their contention is that customers want help in shopping for meat, principally because customers know very little about:

- The quality of meat.
- The differences in the grades of meat.
- The differences between alternative cuts of meat such as steaks, chops or roasts.
- The unusual cuts of meat, including variety meats.
- The care and treatment of meat, both at the store and at home.
- The proper methods of preparing meat, especially the unusual cuts.

Further, opponents of self-service claim, customers want help because:

- They cannot usually translate the package weight to the number of servings desired.
- They cannot see the meat being trimmed and can't see the underside of the meat after it has been wrapped.

Many operators have faced this problem -- the lack of customer contact in a self-service Meat Department -- and have instituted procedures and policies to overcome the problem. Their solutions have included some of the following:

- Thorough training of Meat Department personnel in such subjects as meat use, servings that can be expected from a given weight, cooking methods, etc.
- Layout of the department to facilitate shopping.
- More informative labeling to help answer the questions of customers -- the number of servings, refrigerator life, calories per serving, etc.
- Proper trimming of meats which is both profitable to the store and fair to the customer.
- Providing menu ideas and tips on preparation of different meat dishes.
- Arranging the Meat Department to bring back some of the "butcher shop" atmosphere.
- Fair packaging -- letting the customers know what they are buying.

Many operators have found that the shift to a completely self-service Meat Department has not been without problems. Customers today demand some reassurance that, when spending a large portion of the food budget in the Meat Department, they are making the right buying decisions. The store that can provide this assurance and at the same time continue to operate a self-service department will in all probability experience the greatest volume increases in the future. Both the service and the self-service departments have their strongpoints. A combination of the strongpoints of each seems to be the trend today.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE MEAT DEPARTMENT IN THE MODERN SUPERMARKET

IMPORTANCE OF THE MEAT DEPARTMENT

S-1 As we saw in Unit #6, the largest department in a typical supermarket is the ____________ Department. However, by almost every measure, the Meat Department ranks high among the six major departments and is, in the opinion of many, the most important department in the store.

R-1
Grocery

1. Space allocation, sales, and profits of the Department

S-2 Back in Unit #3, we saw that the Meat Department in a typical supermarket accounts for about 24% of total dollar sales and about 21% of total gross profit dollars. This is one reason why the Meat Department is regarded by many as the ____________ ____________ department in a supermarket.

R-2
most
important

S-3 The Meat Department accounts for about ____% of total dollar sales and about ____% of total gross profit. The department also accounts for about:

- 11% of total selling space;
- 5% of total number of items;
- 12% of total unit sales.

From these figures, we can conclude that the dollar sales per square foot and the dollar sales per item in the department are relatively *(high ... low)* (CIRCLE THE CORRECT WORD)

R-3 24% 21% high	S-4	Dollar sales per square foot in the Meat Department are the highest of any department in the store, and are more than twice that of the store as a whole. Dollar sales per item are also the __________ of any department in the store, and are more than twice that of the next department, Produce.
R-4 highest	S-5	Compared to the other departments in a typical supermarket, the Meat Department contributes the highest dollar sales per ________ ________ and the highest dollar sales per ________.
R-5 square foot item	S-6	The Meat Department's dollar sales per ________ ________ are higher than for any other department and are over twice that of the store as a whole. (In a $2,000,000-a-year store, about $7 per square foot per week compared to about $3.25 for the store as a whole.)
R-6 square foot	S-7	Further, the Meat Department's dollar sales per ________ are higher than for any other department's and are over twice that of the next department, Produce. (In a $2,000,000-a-year store, about $38 per item per week compared to about $18 for the Produce Department.
R-7 item	S-8	Dollar sales per square foot and dollar sales per item in the Meat Department are the __________ of the six major departments in a typical supermarket. This is true partly because of the higher-than-average unit prices (and turnover) in the Meat Department.
R-8 highest	S-9	The average item sold in the Meat Department is *(more ... less)* expensive than the average item sold in other departments. Thus, we can say that the ________ __________ in the department are higher than in other departments. (CIRCLE THE CORRECT WORD)

R-9 more unit prices	S-10	Unit prices of items sold in the Meat Department tend to be higher than in other departments. Further, the Meat Department has the least amount of linear shelf space of the six departments, mainly because the meat display cases are usually only one tier high. Putting these two facts together, we can see that the Meat Department's cost of inventory per linear shelf foot is *(high ... low)* in in comparison to the other departments.
R-10 high	S-11	The cost of ________________ per linear shelf foot in the Meat Department is the highest of any department in the store (about $68 per linear shelf foot, compared to $20 for Dairy and $15 for Frozen Foods).
R-11 inventory	S-12	The Meat Department has the highest ________ of ________________ per linear shelf foot -- over 3 times higher than the next department, Dairy.
R-12 cost (of) inventory	S-13	Although the Meat Department has the highest ________ of ______________ per __________ __________ ________, the annual return on inventory investment is relatively high (about $12 per dollar of inventory investment).
R-13 cost (of) inventory (per) linear shelf foot	S-14	The annual ____________ on ________________ ______________________ for the Meat Department is over twice as great as for the Grocery Department.
R-14 return (on) inventory investment	S-15	The Meat Department produces a relatively *(high ... low)* annual return per dollar of inventory investment even though its cost of inventory per linear shelf foot is *(higher ... lower)* than for any other department. (CIRCLE THE CORRECT WORDS)

R-15 high higher	S-16	The Meat Department's good annual return per dollar of ______________ _________________, despite its high cost of inventory, indicates that the rate of turnover in the department is also good -- about 58 turns per year.
R-16 inventory investment	S-17	The rate of _______________ for the items sold in the Meat Department is about 58 turns per year. Gross margin is close to the store average of about 18% to 20%.
R-17 turnover	S-18	The Meat Department's turnover rate of _____ turns per year is over double the store average of about 28 turns. The gross margin for the Meat Department is close to the store average of about ____% to _____%.
R-18 58 18% (to) 20%	S-19	For the Meat Department, gross margin is about ____% to ____%, or about the same as for the store as a whole. Rate of turnover in the department is ***(about the same ... over twice as high)*** as for the store as a whole.
R-19 18% (to) 20% over twice as high	S-20	One reason for the Meat Department's higher-than-average annual rate of ________________ (about _____ turns) is: nearly all shoppers (94 out of every 100 who enter the store) pass the Meat Department.
R-20 turnover 58	S-21	2. Consumer Attitudes toward the Meat Department In recent store tests, 94 shoppers out of every 100 entering the store passed the _________ ___________________, and about 80 of them bought at least one item from the department.

R-21 Meat Department	S-22	Out of every 100 shoppers entering the supermarket, about _____ (HOW MANY?) pass the Meat Department and about _____ (HOW MANY?) buy at least one item from the department.
R-22 94 80	S-23	The importance of the Meat Department can be seen from the fact that about _____ out of ______ shoppers who enter the supermarket buy at least one item from the department.
R-23 80 (out of) 100 (or 4 out of 5)	S-24	In recent store tests, it was found that ____________________ shoppers entering the store passed the Meat Department and ____________________ bought at least one item from the department. In the same tests, shoppers were asked "How much difference do you find among supermarkets in meats?" ● 37% replied "a great difference" ● 32% replied "some difference" ● 31% replied "little difference"
R-24 94 out of 100 80 out of 100 (or 4 out of 5)	S-25	(TRUE or FALSE) Over two-thirds of the customers interviewed in a recent store test said they noticed at least some difference in meats among different supermarkets. __________
R-25 True	S-26	People ARE conscious of the quality of meat sold in different stores, as shown by the fact that ________________ (WHAT PORTION?) of the customers questioned noticed some difference or a great difference in meat among several supermarkets. When customers were asked "Why do you shop THIS store", almost half replied "because of the meats".

R-26 over two-thirds (or 69%)	S-27	When asked why they patronize a particular store, ______________ (WHAT PORTION?) of the customers questioned said they considered the Meat Department primary in selecting a supermarket.
R-27 almost half	S-28	The importance of the Meat Department to ________________ (WHAT PORTION?) of the customers patronizing a particular supermarket is probably due to the fact that shoppers spend about 25% of their food budget for meat.
R-28 almost half	S-29	To a great many food shoppers, the Meat Department is the most important department in the store. This is true partly because the average shopper spends about ____% of the family food budget on meat, and also because many shoppers plan their meals around the meat items.
R-29 25%	S-30	Besides spending 25% of the family _______ ______________ on meats, many shoppers plan their meals around the meat items they intend to serve.
R-30 food budget	S-31	A customer who spends _____% of her food budget on meat and plans her entire _______ around the meat dish wants to be sure that she makes a good choice when buying meat. The store must provide this reassurance because the customer usually does not know the standards of quality to guide her in making a good choice.
R-31 25% meal	S-32	When shopping in a self-service Meat Department, most customers can't tell for sure whether one piece of meat will prove better than the one next to it. In other words, they don't know the ________________ of quality which could guide them in making the right selection.

R-32 standards	S-33	For many customers, buying fresh meat is a "hit-or-miss" proposition because they don't have a knowledge of the ______________ of ____________ to guide their selection. Furthermore, they don't find the wide range of familiar brands to choose from that they find in most other departments.
R-33 standards (of) quality	S-34	Most shoppers can't be sure that a piece of meat will prove satisfactory because they do not know the ______________ of ____________ to guide them. Also, since most fresh meat is "unbranded", they cannot choose one of the familiar __________ whose quality they have learned to rely on, as is possible in most other departments. Thus, they depend on the store to provide meat of consistent quality.
R-34 standards (of) quality brands	S-35	In buying fresh meat, people rely on the store to ensure the consistent quality of the meat it sells, since they do not have the wide variety of ____________ __________ from which to choose.
R-35 familiar brands	S-36	Due to the almost total absence of ____________ __________ in the Meat Department, customers depend on the store to provide meat of consistent ___________. This is an important trust which should not be regarded lightly.
R-36 familiar brands quality	S-37	It is essential for a store to provide meat of a consistent quality, because customers: • Spend _____% of the family food budget in the Meat Department. • Often plan the entire _______ around the meat items they buy. • Usually don't have a knowledge of the ______________ of ___________ by which to make the right choice in meat. • Don't have the wide range of ______________ __________ they can trust as they have in other departments.

R-37
25%
meal
standards
(of) quality
familiar brands

S-38 Since meat IS so important to customers, a store's ability to provide meat of ____________ ____________ obviously has an important effect on customer loyalty, and therefore on store profits. However, there are other aspects of the Meat Department that also have a bearing on profits.

R-38
consistent quality

PRODUCT MANAGEMENT IN THE MEAT DEPARTMENT

S-39 The QUALITY of the meat stocked in a supermarket has an important effect on profits of the department and the store as a whole, largely because meat of a consistent ____________ tends to build customer loyalty. Obviously, maximum profit and customer loyalty also depends on good product management in respect to sales and margins by type of meat sold.

R-39
quality

1. Sales and Margins by Type of Meat

S-40 The Meat Department is generally divided into five categories or sections: fresh meats; luncheon and smoked meats; poultry; variety meats; and fish. The fresh meats section includes various types of meat; for example, Beef is one ________ of fresh meat.

R-40
type

a. Fresh Meat

S-41 Of the ________ (HOW MANY?) categories or sections in the Meat Department, fresh meat is the largest in terms of sales volume, accounting for up to one-half or more of the department's total dollar sales.

R-41
five (5)

S-42 About one-half of the Meat Department's total sales volume consists of the sale of ____________ ________ (Beef, Pork, Lamb, and Veal).

R-42
fresh meat

S-43 Fresh meats (Beef, Pork, Lamb, and Veal) account for roughly ______________ (WHAT PORTION?) of the total dollar sales in the Meat Department.

R-43
one-half

S-44 The four types of ________ ________ in the order of their dollar sales are Beef, Pork, Lamb, and Veal. Together they account for about ______________ (WHAT PORTION?) of the total dollar sales of the Meat Department.

R-44
fresh meat
one-half

S-45 The largest-selling type of fresh meat (and, in fact, the largest-selling type of meat in the entire department) is ________. The other three types of fresh meat in the order of their dollar sales are ________, ________, and ________.

R-45
Beef
Pork, Lamb, and
Veal

S-46 The column at the right shows the approximate share of total Meat Department dollar sales on a national basis (although the figures vary widely from one area to the next). Match the figure at the right with the type of fresh meat at the left.

_____	Beef	(a) 10% to 13%
_____	Pork	(b) 1% to 2%
_____	Lamb	(c) 35% to 45%
_____	Veal	(d) 2% to 3%

R-46
(c)
(a)
(d)
(b)

S-47 The approximate share of total Meat Department sales accounted for by each type of fresh meat is shown below. In the space provided, fill in the respective type of fresh meat.

________ -- 2% to 3%
________ -- 10% to 13%
________ -- 1% to 2%
________ -- 35% to 45%

R-47 Lamb Pork Veal Beef	S-48	Although ________ is the largest-selling type of fresh meat in most supermarkets, it usually carries a rather low margin (roughly 12% to 18%).
R-48 Beef	S-49	The average % of margin on Beef is relatively *(high ... low)* in most supermarkets. This is true partly because many stores regularly feature Beef on sale to attract customers, and also because many store operators feel they can hold prices down and still obtain an adequate dollar gross profit on Beef in view of its large sales volume.
R-49 low	S-50	In most supermarkets, the margin on ________ is relatively low, ranging from 12% to 18% compared to 19% to 35% for Pork, Lamb, and Veal.
R-50 Beef	S-51	Margins on meat can fluctuate widely from day-to-day and from week-to-week because the retailer's cost varies with the supply and the demand. This accounts for the fact that margins on Beef normally range from _____% to _____%, and margins on Pork, Lamb, and Veal normally range from _____% to _____%.
R-51 12% (to) 18% 19% (to) 35%	S-52	A retailer's cost per pound for fresh meat changes upward or downward frequently, often daily, based on supply and demand. However, the retailer doesn't adjust his selling prices with every fluctuation in his costs. Thus, the % of margin on items sold in the Meat Department generally ***(remain the same ... fluctuate somewhat)*** from day-to-day and week-to-week.

R-52 fluctuate somewhat	S-53	Margins in the Meat Department tend to fluctuate from day-to-day and week-to-week, thus accounting in part for the broad range in the margin on Beef (from ____% to ____%)and on Pork, Lamb, and Veal (from ____% to _____%).
R-53 12% (to) 18% 19% (to) 35%	S-54	Of the five categories or sections in the Meat Department, fresh meat accounts for the largest share of the department's total dollar sales -- about _________ (WHAT PORTION?). Luncheon and smoked meats account for the next largest share -- about one-quarter to one-third of the department's total dollar sales.
R-54 one-half		b. Luncheon and Smoked Meats
	S-55	Luncheon meat and smoked meat (including hams and bacon) rank second only to _________ _________ in share of total dollar sales in the Meat Department. They account for roughly one-quarter to one-third of total dollar sales.
R-55 fresh meat	S-56	In most supermarkets, sales of luncheon meat are slightly less than sales of smoked meat (about 10% to 14% of total dollar sales, compared to about 12% to 20% for smoked meat). Together, luncheon meat and smoked meat account for about ________________________________ (WHAT PORTION?) of the Meat Department's total dollar sales.
R-56 one-quarter to one-third	S-57	One-quarter to one-third of the Meat Department's total dollar sales are accounted for by ___________ meat and _________ meat.

R-57 luncheon smoked	S-58	Luncheon meat and smoked meat together account for ______________________ (WHAT PORTION?) of total Meat Department sales. In most stores, luncheon meat provides a higher % of margin than smoked meat, but a *(higher ... lower)* share of total dollar sales in the department.
R-58 one-quarter to one-third lower	S-59	Many stores frequently feature smoked meat (such as ham and bacon) at special low prices in order to attract customers. As a result, the average % of margin on smoked meat is *(higher ... lower)* in most stores than the average % of margin on luncheon meat.
R-59 lower	S-60	The average % of margin for smoked meat and for luncheon meat is shown below. In the space provided, fill in the respective type of meat. ● __________ meat -- 18% to 35% margin ● __________ meat -- 13% to 30% margin
R-60 luncheon smoked	S-61	(TRUE or FALSE) Luncheon and smoked meat comprise one of the five categories or sections in the Meat Department. Of the two, smoked meat contributes the greater share of total dollar sales and luncheon meat provides a higher margin. __________
R-61 True	S-62	Luncheon meat and smoked meat constitute the second-largest section or category in the Meat Department, and together account for about ______________________ (WHAT PORTION?) of total dollar sales in the department. Poultry ranks next in share of total dollar sales in the department.

R-62 one-quarter to one-third	S-63	c. Poultry Poultry is the third largest of the ________ (HOW MANY?) sections or categories of products sold in the Meat Department. Poultry sales amount to about one-sixth of the department's total dollar sales.
R-63 five (5)	S-64	Sales of ______________ (such as chicken, turkey, duck, etc.) account for about one-sixth of total dollar sales in the Meat Department. However, the average margin is relatively low -- about 8% to 15%.
R-64 poultry	S-65	Although poultry accounts for about ___________ (WHAT PORTION?) of the Meat Department's total dollar sales, the average % of margin on poultry is *(greater ... less)* than the 18% to 20% average for the department as a whole.
R-65 one-sixth less	S-66	The poultry section is a significant contributor to store sales, accounting for about _____________ of the Meat Department's total dollar sales. However, the average % of margin on poultry is comparatively *(high ... low)*.
R-66 one-sixth low	S-67	The third largest section or category in the Meat Department is ____________, which accounts for about one-sixth of the department's total dollar sales. Next is fish, which accounts for a fairly small share of total dollar sales in the department.
R-67 poultry	S-68	d. Fish Although it's not a meat item, ________ is considered part of the Meat Department and accounts for a fairly *(large ... small)* share of total dollar sales in the department.

R-68 fish small	S-69	Sales of fish amount to a fairly *(large ... small)* share of total dollar sales in the Meat Department -- about 4% to 10%. However, the average margin on fish is a respectable 15% to 35%.
R-69 small	S-70	Although sales of fish represents a fairly *(high ... low)* share of the Meat Department's total dollar sales, the average % of margin on fish is relatively *(high ... low)*.
R-70 low high	S-71	In terms of share of total dollar sales, the fourth largest section or category of products in the Meat Department is __________. Last is variety meat, which accounts for a very small share of total dollar sales but provides a relatively high % of margin.
R-71 fish		e. Variety Meat
	S-72	Variety meat accounts for only 1% to 2% of total sales at a margin of 15% to 35%. Some items in the ________________ __________ section would be tongue, kidney, brains, sweetbreads, pork hocks, corned beef, pig knuckles and tripe.
R-72 variety meat	S-73	(TRUE or FALSE) Variety meats account for a relatively large per cent of total department sales and provide a relatively high average % of margin. ____________
R-73 False	S-74	Number the five categories of products or sections in the Meat Department according to their relative share of total dollar sales in the department. ____ Fish ____ Poultry ____ Variety meat ____ Fresh meat ____ Luncheon and smoked meat

R-74
4
3
5
1
2

S-75 We have now seen all five sections in the Meat Department:

- ________ ________;
- ____________ and __________ ________;
- ____________;
- ________; and
- ___________ ________.

The proper sales "mix" between the five sections and adequate margins are important factors in developing customer loyalty and achieving maximum sales and profits. So is the matter of providing a balanced selection of grades and types of meat.

R-75
fresh meat
luncheon (and)
smoked meat
poultry
fish
variety meat

2. Providing a Balanced Selection of Grades and Types of Meat

S-76 Besides desiring meat of a consistent ______________ on which they can depend, customers want a wide selection of meat from which to choose.

R-76
quality

S-77 For greater variety of menu, customers prefer to buy their meat at a store which provides a ______ _______________ of meat from which to choose.

R-77
wide selection

S-78 Some stores use a 2-grade Beef system to furnish a ______ _______________ of meat for their customers. In effect, a 2-grade Beef system means that two grades of beef are available in the store.

R-78
wide selection

S-79 In stores which cater to two different economic classes, a 2-grade Beef system is almost essential to success. In other stores, a ___-_________ Beef system is sometimes used as a means of providing a _______ ______________ of meat for customers to choose from.

R-79
2-grade
wide selection

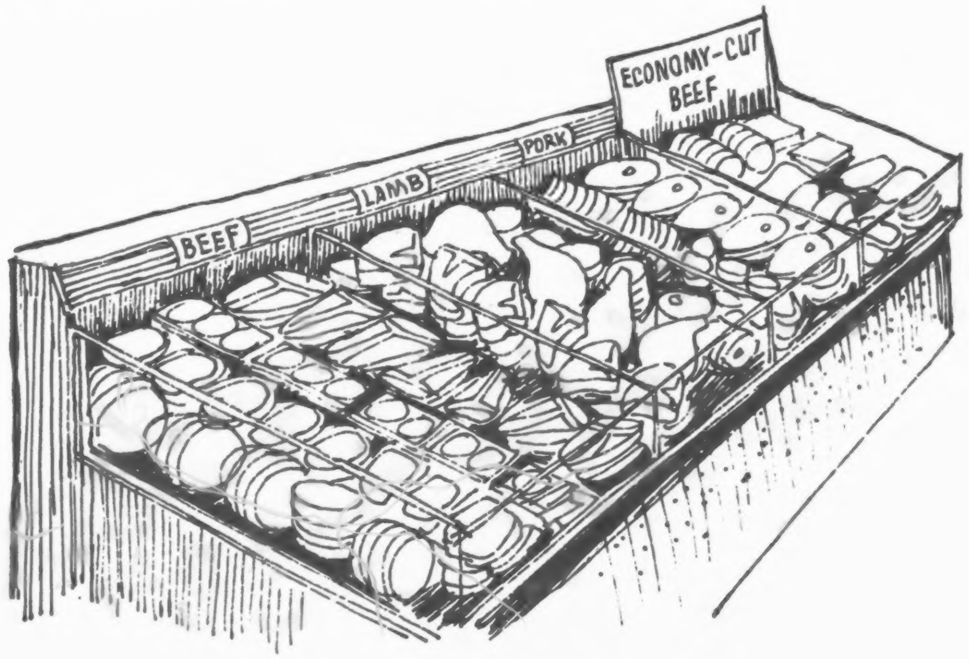
S-80 In order to develop a strong reputation for their meats, supermarkets usually concentrate mainly on one grade of Beef. However, some stores offer a lower grade or a higher grade of Beef in addition to their regular grade. These stores are said to employ a ____-__________ __________ __________.

R-80
2-grade Beef system

S-81 Stores which use a 2-grade Beef system stock either a lower grade or a higher grade in addition to their regular grade of Beef. They usually use a special name such as "Thrifty Cut" or "Economy-Grade Beef" to distinguish the __________ grade from their regular grade, or a name like "Top Quality" or "Premium Cut" to distinguish the __________ grade from their regular grade.

R-81
lower
higher

S-82 In stores using a 2-grade Beef system, the lower grade or the higher grade is usually referred to by a special __________, in order to distinguish it from their regular grade. The lower grade or the higher grade is also usually kept separate from their regular grade in the display cases.



R-82
name

S-83 Stores using a ____-__________ ________ ________________ will generally keep the two grades separate in the display cases. They also provide a great enough price differential between the two grades (usually 8¢ to 10¢ per pound) to appeal to customers in different income groups or economic classes.

R-83
2-grade Beef system

S-84 A spread of 8¢ to 10¢ per pound is generally a great enough ___________ ______________________ between grades to appeal to customers in different income groups or different economic classes.

R-84
price differential

S-85 A store which uses a 2-grade Beef system is better able to appeal to customers in different income groups if it offers a ____________ __________________________ between grades of about _____¢ to _____¢ per pound.

R-85
price differential
8¢ (to) 10¢

S-86 Stores using a 2-grade Beef system usually:

- Refer to the higher or the lower grade by a special __________, in order to distinguish it from their regular grade.
- Keep the higher or the lower grade items separate from their regular grade in the display cases.
- Maintain a price differential of ____¢ to _____¢ between the two grades.

R-86
name
8¢ (to) 10¢

S-87 A store which uses a 2-grade Beef system is better able to offer its customers a wide selection of meat items, especially if the store maintains a __________ _________________________ between grades of about _____¢ to _____¢ per pound.

R-87
price
differential
8¢ (to) 10¢

S-88 Besides stocking the types and grades of meat that will provide a ________ ________________ of meat for the customers, another important factor in developing customer loyalty and achieving maximum sales and profits is determing the price to charge for the retail cuts.

R-88
wide selection

3. Pricing Meat

S-89 In pricing meat, it is important to follow a definite pricing plan. The three most widely-used ______________ plans are: the % margin plan; the cents per pound plan; and the commodity classification chart plan.

R-89
pricing

a. The % Margin pricing plan

S-90 The % margin plan is one of the three most popular ______________ __________ in use today. Here, as in the case of most other items in the supermarket, the grocer first determines what % of margin he needs on each item or each type of product. However, instead of starting with a given cost and arriving at the selling price, he often begins with the selling price, then works back to determine how much he can pay for the item and still achieve the desired % of margin.

R-90
pricing plans

S-91 In earlier Units, we saw that margin is the difference between the cost and the selling price of an item, expressed as a percentage of the selling price. The % margin pricing plan used in the Meat Department is applied as follows:

- The selling price for an item is determined, based on customer demand and the competitive situation.
- The selling price is multiplied by the desired % of margin. This figure is subtracted from the selling price to determine how much the buyer can afford to pay for the meat and still obtain the desired ____ ___ ____________.

R-91
% of margin

S-92 In the % margin pricing plan, it is customary to start with the __________ __________ and work back to the ________, a reverse of the normal procedure. This method stems from the days when it was common for meat buyers to check competition's prices, and then haggle with the meat supplier's representative to get as close as possible to a cost figure that would provide the desired % of margin.

R-92
selling price
cost

S-93 One pricing plan used in Meat Departments today is the ____ ____________ plan. If the desired margin for an item is 25% and the anticipated selling price is $1.00, then the item must cost .75 or less.

• Selling price/lb.	$1.00
• Desired markup (25% margin)	- .25
• Anticipated cost	$ .75

R-93
% margin

S-94 If an item is to sell for $1.50 (taking into consideration customer demand and the competitive situation) and a 20% margin is desired, the item should cost no more than ______ (HOW MUCH?).

Figure here:

R-94
$1.20

S-95 The ___ ____________ plan is one type of pricing plan sometimes used in the Meat Department. Another is the cents per pound plan.

R-95
% markup

b. The Cents per Pound pricing plan

S-96 In the second type of ____________ ________, the cents per pound plan, an estimate is made of the weekly meat tonnage (sales in pounds), based on past sales. This estimated total tonnage is then divided by the weekly dollar gross profit needed to cover expenses and provide an adequate net profit. The result is a certain amount per pound (the markup per pound) which is added to the cost of each item.

R-96
pricing plan

S-97 In the ________ _____ __________ pricing plan, the cost of each item is increased a certain amount per pound, as follows:

- The total meat tonnage (or sales in pounds) for the week is estimated, based on past sales.
- The estimated meat tonnage is divided by the desired weekly dollar gross profit to arrive at the markup per pound needed to cover expenses and provide an adequate net profit.
- The markup per pound is added to the cost per pound of each item to arrive at the selling price.

R-97
cents per pound

S-98 The main feature of the cents per pound pricing plan is that each item is marked up a certain amount per pound. For example: if the week's estimated meat tonnage is 5,000 lbs. and the gross profit objective is $500 (to cover expenses and anticipated net profit), then the __________ per __________ would be 10¢.

R-98
markup (per)
pound

S-99 In the cents per pound pricing plan, the estimated weekly meat ____________ (or sales in pounds) is divided into the desired weekly dollar gross profit to determine the markup per pound to be added to the cost of the meat.

R-99
tonnage

S-100 Let's say that 5000 lbs. of meat is expected to be sold this week, the department expenses are $250, and the desired net profit is $50. How much should be charged per pound over and above the cost per pound, to meet the $300 gross profit objective? ______¢

Figure here:

R-100
6¢

S-101 In the cents per pound pricing plan, the estimated weekly meat ______________ (or sales in pounds) is divided into the desired weekly dollar __________ ________________. The result (the __________ ____ ________________) is added to the cost per pound.

R-101
tonnage
gross profit
markup per pound

S-102 If the estimated weekly meat tonnage is 4000 pounds and the desired weekly gross profit is $600, what would the markup per pound be? _____¢

Figure here:

R-102
15¢

S-103 The % margin plan and the ________ _____ ____________ plan are two types of pricing plans for meat. The commodity classification chart plan is another.

R-103
cents per pound

c. The Commodity Classification Chart pricing plan

S-104 The commodity classification chart plan is really a variation of the cents per pound plan. In this plan, the estimated weekly tonnage (or _______ in ___________) and the weekly dollar gross profit objective are broken down by product category or commodity group. Then, a markup per pound is arrived at for each. All figures are entered on a large chart to keep a week to week record.

R-104
sales (in)
pounds

S-105 In the _____________ _______________ ___________ pricing plan, weekly tonnage estimates and gross profit objectives are arrived at for each product category or each commodity group. Then, the estimated tonnage for each is divided by the gross profit objective to arrive at a ___________ ____ ___________ for each category or group of items.

R-105
commodity
classification
chart
markup per pound

S-106 The commodity classification chart plan is really a variation of the _________ ____ _________ pricing plan broken down into product categories or commodity groups. For example:

commodity group	estimated tonnage		gross profit objective		markup per pound
Beef	1000 lb.	÷	$100	=	10¢/lb.
Pork	500 lb.	÷	75	=	15¢/lb.
Etc.					

R-106
cents per pound

S-107 An advantage of the _________________ ____________________ _________ pricing plan over the cents per pound plan is its greater flexibility because markups are not uniform for all items, but vary by product category or commodity group.

R-107
commodity
classification
chart

S-108 A definite pricing plan should be used to assure a gross profit that will cover expenses and provide a satisfactory net profit. The three types of pricing plans we studied here are:

- The ___ ___________ plan
- The ________ _____ ___________ plan
- The _____________ ____________________ ________ plan.

R-108
% margin
cents per pound
commodity
classification
chart

S-109 To achieve maximum sales and profits in the Meat Department, a definite ______________ _______ is essential. Cutting tests are also important, not only to achieve maximum sales and profits.

R-109
pricing plan

4. Conducting Cutting Tests

S-110 Basically, a ____________ test gives an indication of the popularity and the profitability of various cuts of the same type of meat.

For example:

An eye of round (beef) is commonly sold as a pot roast, but that same eye of round can be converted into sandwich steaks that will bring 30-40¢ more per pound. A cutting test could provide the answer to the question: How many eyes of round should be converted per week?

R-110
cutting

S-111 Besides indicating what cuts of meat are the most popular with customers, a ____________ _______ also can indicate what cuts are the most profitable for the store at current prices.

R-111
cutting test

S-112 A variety of different retail cuts can be obtained from virtually any part of an animal, depending on how the butcher chooses to break-down and trim the piece. For example, a loin of pork can be sold as a loin roast, a boneless loin roast, or loin chops. By making a cutting test, the butcher can determine how he should subsequently cut the piece to produce the most ____________ and most ________________ retail cuts.

R-112
popular
profitable

S-113 Periodically, each primal cut of meat in the department should undergo a cutting test. In addition, a __________ ______ should be made:

- When contemplating a change in cutting method (e.g., cutting eyes of rounds into sandwich steaks instead of pot roasts).
- When starting to buy from a different meat supplier or packer.
- When starting to buy in a different weight range.
- When costs or retail prices have changed substantially.

R-113
cutting test

S-114 A cutting test indicates the most ____________ and most __________________ retail cuts of meat that can be obtained from a given piece or primal cut. In a cutting test, 5 or 6 pieces of the same type and weight should be cut and trimmed in the same way over a 1 to 2 week period.

R-114
popular
profitable

S-115 The results of a cutting test would be inconclusive if only one piece were used, because the piece may not have been a typical one. For most reliable results, _________ (HOW MANY?) pieces of the same type and weight should be cut and trimmed in the same way over a 1 to 2 week period.

R-115 5 or 6	S-116	In a cutting test extending over a ___ to ___ week period, 5 or 6 pieces of the same ________ and ______________ are cut and trimmed in the same way.
R-116 1 (to) 2 type (and) weight	S-117	To obtain a true picture of customer demand for various retail cuts of meat obtained from a particular primal cut, it is important that __________ (HOW MANY?) pieces of the same type and weight are ______ and ______________ in the same way over a 1 to 2 week period.
R-117 5 or 6 cut (and) trimmed	S-118	The results obtained in a cutting test will be most accurate and therefore most meaningful if 5 or 6 pieces of the same ________ and ___________ are cut and trimmed in the same way over a ___ to ___ _________ period. This procedure should be followed with each piece: • Weigh the piece of meat (primal cut) before cutting. • Make the retail cuts, trimmed for sale. • Weigh each retail cut and compute the total retail value by multiplying the weight times the selling price per pound. • Subtract the wholesale cost of the piece from the total retail value to arrive at the gross profit.

R-118
type (and)
weight
1 (to) 2 week

S-119 A sample format for each of the pieces used in a ____________ ________ on a ham would be:

Cut	Weight		Price per lb.		Retail Value
Butt	5 lbs.	x	70¢	=	$3.50
Center slice	4 lbs.	x	80¢	=	$3.20
Shank	3 lbs.	x	59¢	=	$1.77
Waste	12 oz.	x	00¢	=	$0.00

Total Retail Value	$8.47
(Less) Wholesale Cost	-$6.72
Gross Profit	$1.75

(In the sample above, a 2% to 3% allowance for shrinkage during the cutting test should have been made.)

R-119
cutting test

S-120 The person making the cutting test should:

- Weigh the piece of meat before cutting.
- Make the retail cuts, trimmed for sale.
- Weigh each retail cut and compute the total retail value by multiplying the weight times the selling price per pound.
- Subtract the wholesale cost of the piece from the total retail value to arrive at the ________ __________.

R-120
gross profit

S-121 What is the gross profit for the sample cutting test below?

Cut	Weight	Price per lb.	Retail Value
Butt	6 1/2 lb.	60¢	$
Center slice	4 lb.	75¢	$
Shank	5 lb.	59¢	$
Waste	1 lb.	00¢	$0.00

Total Retail Value	$
(Less) Wholesale cost	-$7.05
Gross Profit	$

R-121
$2.80

S-122 Cutting tests indicate the most ______________ and most ____________________ retail cuts, and are therefore important in achieving maximum sales and profits and in developing customer loyalty. Effective merchandising in the Meat Department is also important in achieving maximum sales and profits and developing customer loyalty.

R-122
popular
profitable

ELEMENTS OF EFFECTIVE MEAT MERCHANDISING

S-123 The key elements of effective meat ______________________ are: proper packaging, attractive display, and aggressive promotion.

R-123
merchandising

1. The Packaging of Meats

S-124 As we'll see later, proper packaging of meat is important in maintaining quality. However, packaging is also an element of effective ______________________, particularly in a self-service Meat Department. One factor in packaging is good product visibility.

R-124
merchandising

S-125 The appearance of a cut of meat (the bloom, the color, the trim, etc.) is important to shoppers. Since meat comprises such a large part of the shoppers' food budget, it stands to reason that one requirement in meat packaging is good product ___________________________.

R-125
visibility

S-126 As you know, most fresh meat displayed in a self-service Meat Department is wrapped in transparent film. The use of transparent film permits customers to see before they buy; in other words, it provides _______ ______________ ________________.

R-126 good product visibility	S-127	The use of ______________ _____ for packaging meat provides good __________ ________________ and helps shoppers make the right selection when buying meat. However, since most fresh meat is wrapped with a cardboard backing or tray which prevents shoppers from inspecting both sides of the piece, the portion exposed to view must be representative of the entire piece.
R-127 transparent film product visibility	S-128	Since one side of a package of meat is usually hidden from the shopper's view, Meat Department personnel must be sure that the side that's visible is ____________________ of the entire piece.
R-128 representative	S-129	If a package of meat contains a boney or fatty section that's hidden from view, the person who buys it will probably feel that the piece had been misrepresented, and will blame the store. To prevent loss of customer good will, the staff of the Meat Department must be sure that the part that's visible is ____________________ ____________________.
R-129 representative of the entire piece	S-130	Consider this situation: a shopper buys a package of meat that appeals to her, and later discovers that the part hidden from view is of inferior quality. What would her natural reaction be? Probably she would be angry and, for a long time to come, would be distrustful of the meat displayed at the store because the part that was visible *(was ... was not)* representative of the entire piece.
R-130 was not	S-131	Thus, one factor in the proper packaging of meat is good _________ ______________, with the parts open to view ________________ of the entire piece. Another is the label on the package.

R-131 product visibility representative	S-132	The label on a package of meat can be an effective merchandising tool. Besides showing the type of cut, the price per pound, the weight, and the total price, the __________ on a package of meat can also contain some selling phrase or reason to buy, or some helpful tip on preparation.
R-132 label	S-133	In the packaging of meat, the label can often serve a dual purpose. It should include necessary information of interest to shoppers such as type of cut, the price per pound, the weight, and the total price. However, it can also act as a merchandising tool if it contains some selling phrase or reason to buy, or some helpful tip on ______________________ of the item. (Of course, two separate labels can be used.)
R-133 preparation	S-134	"Fresh Daily" for ground beef, "Today's Special" for a featured item, and "Corn-fed Beef" for steak -- these are some examples of a ____________ ____________ or ____________ ___ _______ that can be included on the label of a meat package to stimulate sales.
R-134 selling phrase reason to buy	S-135	"Braise or broil" for round steak, "bread 'n fry" for chicken, and "serves 4 to 6" for pot roast or other large items -- these are some examples of a helpful _______ on ______________________ that can be included on the label of a meat package as a convenience to shoppers.
R-135 tip (on) preparation	S-136	The label on a meat package should show the type of cut, the price per pound, the weight, and the total price. In addition, the same lable (or a separate one) can include some ______________ ____________ or reason to buy, or some helpful ______ ____ ________________ of the item. (The label containing price information should be firmly attached or should be inside the package to prevent customers from switching labels and paying for a less expensive item.)

R-136 selling phrase tips on preparation	S-137	Good product ______________ and the ________ on the package are two important aspects of proper packaging. A third is the condition of the package.
R-137 visibility label	S-138	Shoppers demand that the meat they buy be fresh and wholesome. A package of meat that has a "fresh" look is more appealing than one that is dog-eared. In short, the salability of an item depends in large part on the ______________ of the package.
R-138 condition	S-139	Most shoppers will avoid buying a package of meat that does not have the appearance of freshness. Packages that have worked loose or have become torn should be re-wrapped, because the ____________ ___ ____ ____________ has a great effect on the ______________ of an item.
R-139 condition of the package salability	S-140	One element of effective meat merchandising is the proper packaging of meat, including the three factors: good product ______________, the ________ on the package, and the ______________ of the package. Another element of effective meat merchandising is the attractive display of items in the display cases.
R-140 visibility label condition	S-141	2. The Display of Meats Attractive display of meat in the display cases is important from the standpoint of customer convenience. Attractive ____________ is also important from the standpoint of achieving maximum sales in the department.

R-141 display	S-142	When considering the display of meat for greatest customer __________________ and maximum __________, two factors must be considered: the layout of the normal display cases, and the position of special or feature items.
R-142 convenience sales	S-143	There are several approaches to the layout of the normal display cases for greatest ______________ __________________ and maximum __________. As we saw in Section I, one approach is according to cooking method or plans for serving.
R-143 customer convenience sales	S-144	In a Meat Department laid out according to ____________ ___________ or plans for serving, the following items would be grouped together: • Meats to Broil -- steaks, chops, ham slices, chicken parts (legs and breasts), broilers. • Meats to Braise -- round steaks, chuck steaks, swiss steaks, stew meats, stewing hens. • Roasts -- rib roasts, roasts of beef, legs of lamb, pork roasts. • Pot Roasts -- chucks, heel or round. • Luncheon and Smoked Meats.
R-144 cooking method	S-145	One approach to the layout of the meat display cases is the ______________ ______________ or plans for serving approach. Another is the grouping of items together by product category or type of meat. For example: all the Beef cuts in one section, all the Pork cuts in another section, etc.
R-145 cooking method	S-146	When the customer can go to one section of the Meat Department to view all of the cuts of Beef, another section to view all of the cuts of Pork etc., the department is said to be laid out by ________________ __________________.

R-146 product category	S-147	Two methods of grouping meat in the display cases to provide greatest customer convenience and maximum sales are: • According to ____________ ____________ or plans for serving. • According to ____________ ____________. Another method of grouping is according to color combination.
R-147 cooking methods product category	S-148	To add "eye appeal" to the Meat Department, some stores display meat by __________ ____________________; for example, red meat (beef) next to white meat (pork), etc.
R-148 color combination	S-149	We have seen three methods of laying out the meat display cases: • According to ___________ __________ or plans for serving. • By ______________ _________________. • By _________ ______________________. In each of these, high demand and impulse items are usually positioned throughout the department.
R-149 cooking method product category color combination	S-150	Bacon, Chicken, Ground Beef, and Steak are often thought of as high demand items. Usually, these are positioned ________________ _____ _____________________ (WHERE?).
R-150 throughout the department	S-151	Positioning _______ ___________ items (such as Bacon, ___________, Ground Beef and ________) throughout the Meat Department encourages customers to shop the entire department.

R-151 high demand Chicken Steak	S-152	High demand items (such as __________, __________, __________ ______, and _________) are usually positioned throughout the Meat Department to get customers to shop the entire department. Feature items which are being promoted are also positioned throughout the department and/or at the end of the flow of traffic.
R-152 Bacon Chicken Ground Beef Steak		3. The Promotion of Meats
	S-153	In most supermarkets, certain meat items are advertised and promoted each week. Such items are often referred to as feature items. These items are usually positioned ______________ _____ _________________ and/or at the end of the flow of traffic, to draw customers through the entire department.
R-153 throughout the department	S-154	Items which are aggressively promoted in a given week are referred to as ____________ items. These are often seasonal items such as Turkey at Thanksgiving and Christmas, and Ham at Easter.
R-154 feature	S-155	Feature items (including ______________ _________ such as Turkey at Thanksgiving) should be properly positioned to draw the traffic through the department and visually highlighted with a poster or a banner to attract customer attention. Also, the price should be clearly indicated.
R-155 seasonal items	S-156	If a feature item in the Meat Department were on display and located in the beginning of the department, the display would not be properly _______________ to draw customers through the department.

R-156 positioned	S-157	In order to draw customers through the department, feature items should be positioned throughout the department and/or at the ***(beginning ... end)*** of the flow of the traffic.
R-157 end	S-158	Feature items should be ______________ ______________ throughout the department and/or at the end of the ________ of ________. They should also be visually highlighted to attract customer attention.
R-158 properly positioned flow (of) traffic	S-159	"GROUND BEEF SPECIAL TODAY" on a sign above a large display of ground beef would serve to ____________ ______________ the feature item and attract customer attention.
R-159 visually highlight	S-160	Feature items should: • Be ____________ ______________ to draw customers through the department; • Be ____________ ______________ with promotional materials.
R-160 properly positioned visually highlighted	S-161	Feature items (including ____________ __________ such as Turkey at Thanksgiving or Ham at Easter) are an effective type of promotion in the Meat Department. Tie-in promotions with other departments in the store are also extremely effective.
R-161 seasonal items	S-162	A tie-in ______________ with the Grocery Department might include: Weiners and Kraut; Mushrooms and Steak; Cranberries and Turkey; Chicken and Rice; Lamb and Mint Jelly; and Ham and Pineapple.

R-162 promotion	S-163	Produce items that lend themselves well to _____-___ ____________________ with the Meat Department are: Corned Beef and Cabbage; Ham Hocks and Cabbage; Ham and String Beans; Liver and Onions; and Ground Beef and Green Pepper.
R-163 tie-in promotions	S-164	Dairy Department items also could be used in ____-___ __________________ with the Meat Department. For example: Beef Stroganoff (Tenderloin and Sour Cream); Frankfurters and Cheese; Cheeseburgers; and Eggs with Bacon.
R-164 tie-in promotions	S-165	It takes planning to set up a successful promotion, whether it be a feature item or a tie-in promotion. However, the more difficult of the two to plan is the _____-___ _______________, because more than one department is involved.
R-165 tie-in promotion	S-166	We've now seen the key elements of effective ____________________ in the Meat Department: packaging, display, and promotion. Now, let's look at some of the major problems of the Meat Department.
R-166 merchandising		**MAJOR PROBLEMS IN THE MEAT DEPARTMENT**
	S-167	Shrinkage and deterioration are two of the major ________________ in the Meat Department. Shrinkage is the reduction in weight of a piece of meat due to the loss of juices.
R-167 problems		1. Shrinkage
	S-168	The reduction in weight in a piece of meat due to the loss of juices is known as ______________.

R-168 shrinkage	S-169	Shrinkage is the reduction in __________ in a piece of meat due to the loss of __________. Shrinkage can occur both before and after packaging.
R-169 weight juices	S-170	Shrinkage (or the ______________ ___ ___________ in a piece of meat due to the _____ ___ _____________) can occur both before and after packaging. Although it is not possible to eliminate shrinkage altogether, it is possible to CONTROL it.
R-170 reduction in weight loss of juices	S-171	Some ways to control ______________ BEFORE packaging include: ● Maintaining the proper temperature during all phases of handling -- preferably 30 degrees. ● Keeping meat out of strong light and air currents (fans, air conditioning ducts, etc.) which tend to dry out the meat. ● Trimming the meat realistically on a continuing basis.
R-171 shrinkage	S-172	It is almost impossible to completely prevent ______________ AFTER _______________ because: ● Meat juices are absorbed by the cardboard backing or tray that serves as the base of the package. ● Some packaging films absorb moisture (meat juices). ● Some packaging films allow moisture to pass through them.

R-172
shrinkage
packaging

S-173 To reduce shrinkage after ________________ it is necessary to:

- Keep the meat at 30 degrees at all times.
- Use non-absorbant trays or cardboard as the base of the packages.
- Use a packaging film that neither absorbs nor passes meat juices.

R-173
packaging

S-174 From the standpoint of reducing ______________, the best temperature for storing meats both before and after packaging is about 30 degrees.

R-174
shrinkage

S-175 Excessive shrinkage after packaging can make it necessary to re-weigh and re-price meat, with a resulting loss in value of a piece of meat. Otherwise the store may be in violation of the weights- and measures laws. To reduce shrinkage both before and after packaging, meat should be stored at about ____ degrees.

R-175
30°

S-176 The reduction in weight and loss of value in a piece of meat is greatest when the temperature is above 36° or 38°. At $1.20/lb., a 1 1/2 lb. steak would be priced at $1.80. Twenty four hours later, after a 2% shrinkage, the steak is worth $1.76. In 48 hours, the steak is worth $1.72. To reduce loss from ________________, it is essential to maintain a constant temperature of about ____ degrees.

R-176
shrinkage
30°

S-177 One major problem in the Meat Department, then, is shrinkage, or the ________________ in __________ in a piece of meat due to ________ of ______________. Another is deterioration.

R-177
reduction (in) weight
loss (of) juices

2. Deterioration

S-178 Fresh meat is highly susceptible to deterioration, or loss of quality and freshness. Bacterial deterioration and discoloration are two forms of ____________________.

R-178
deterioration

a. Bacterial deterioration

S-179 Maintaining constant temperature of 30 degrees helps prevent bacterial ____________________.

For example:

> In recent tests, similar pieces of meat were stored at 30°, 40°, and 50°. The bacteria count on the meat stored at 40° was 25 times higher than on the meat stored at 30°. And, the bacteria count on the meat stored at 50° was 1000 times greater than on the meat stored at 30°!

R-179
deterioration

S-180 As was the case with the shrinkage problem, the optimum temperature for avoiding ______________ ____________________ is about 30 degrees.

R-180
bacterial deterioration

S-181 Bacterial deterioration can be reduced by maintaining a constant temperature of about ____ degrees in the storage areas and by using clean equipment for handling and preparing meat.

R-181
30°

S-182 The use of _________ ______________ in handling and preparing meat is essential in preventing ______________ ______________.

For example:

> In a recent test, two pieces of meat stored at the same temperature were handled and prepared, one with clean equipment and hands and the other with unclean equipment and hands. The result was a bacteria count 10,000 times higher on the mishandled piece of meat!

R-182 clean equipment bacterial deterioration	S-183	Maintaining a constant ________________ of 30 degrees and using ________ ____________________ when handling and preparing meat are two means of reducing bacterial deterioration. Another is controlling the amount of oxygen that reaches the meat by properly packaging it.
R-183 temperature clean equipment	S-184	Controlling the amount of ____________ that reaches the meat can be accomplished by properly packaging the meat after it has been cut. Fresh meats require a certain amount of oxygen to gain and maintain the proper bloom. Smoked meats and table ready meats have been partially dried and require little or no oxygen; the packaging of smoked and table ready meats should be airtight.
R-184 oxygen	S-185	Three ways of reducing bacterial deterioration are: • By maintaining a constant ________________ of 30 degrees. • By using ________ ________________ in handling and preparing meats. • By controlling the amount of ____________ reaching the meat by properly ______________ it.
R-185 temperature clean equipment oxygen packaging	S-186	Bacterial deterioration is one form of deterioration to which meat is susceptible. Discoloration due to exposure to intensive light is another form of ______________________.
R-186 deterioration		b. Discoloration
	S-187	Often, normal store lighting is too bright for meats and will cause ______________________ which initiates deterioration.

R-187
discoloration

S-188 Some meats such as bacon will discolor in 30 minutes under intense __________.

R-188
light

S-189 Some ways to reduce ______________________ due to _________ are:

- Using opaque labels on exposed side of packages.
- Stacking products on end to reduce exposure to light.

R-189
discoloration
light

S-190 Two major problems in the Meat Department are ________________ and ______________________.

R-190
shrinkage
deterioration

S-191 Deterioration of meat occurs because of high _______________ count and because of exposure to intense ________. However, even under the best conditions, meat will deteriorate unless it is sold quickly; thus, proper stock rotation procedures are essential to ensure freshness.

R-191
bacteria
light

3. Case Life and Stock Rotation of Meat

S-192 Deterioration and loss of freshness can be reduced by implementing an effective ________ _______________ procedure.

R-192
stock rotation

S-193 Most successful meat operators have found it beneficial to code date the packages of meat as they are wrapped. This permits checking the __________________ of each item during the stock rotation operation.

R-193 freshness	S-194	Meat should be pulled off of display the minute it begins to discolor regardless of the code ______ on the package. (This meat might be reprocessed and sold in another form so as not to lose the entire profits -- chuck can be used for ground chuck or stew meat, etc.)
R-194 date	S-195	During the ________ ____________ operation, the freshness of the meat in the display cases can be checked by referring to the ______ ________ on the packages. With a few exceptions, the average display case life is about 2 days.
R-195 stock rotation code dates	S-196	The code dates put on the packages indicate the ______________ of the meat. The display case life for each type of meat is not the complete life of the product, since the customer might keep the meat for a day or two before using it.
R-196 freshness	S-197	A safe display ______ _______ for each of the commodity groups in the Meat Department is: • Ground Beef -- one-half day • Beef, Pork, Lamb, Veal, Poultry, and Fish -- about 2 days • Smoked Meat -- about 5 to 7 days.
R-197 case life	S-198	Beef, Pork, Lamb, Veal, and Poultry, and Fish have a display case life of about ___ days. Smoked Meat has a display case life of about ___ to ___ days. Ground Beef has a display case life of only _________ day.

R-198 2 5 (to) 7 one-half	S-199	The average display case life of the commodity groups in the Meat Department are: • Ground Beef -- _______________ day • Beef, Pork, Lamb, Veal, Poultry, and Fish -- about ____ days • Smoked Meats -- about ___ to ___ days
R-199 one-half 2 5 (to) 7	S-200	Deterioration can be avoided by using code dates on packages that permit checking the ___________________ of the meat during the _________ ______________ operation.
R-200 freshness stock rotation		END OF SECTION II

III. OPERATIONS OF THE MEAT DEPARTMENT

In effect, the Meat Department is a complete manufacturing operation within the store. However, unlike other manufacturing operations where parts are assembled into finished products, the raw materials (namely, carcasses or hindquarters and forequarters) are broken down into semi-finished goods (primal cuts such as rounds, ribs, loins, chucks, etc.) which are then further transformed into finished products for sale (retail cuts). A key part of the entire operation is the ordering of the raw materials.

ORDERING OF MEATS

In a central buying organization (Chain, Co-op, or Voluntary), headquarters handles the buying of meat from packers, and the Meat Department Managers of the member stores order from headquarters or from the nearest distribution point. Meat Managers of retail stores not affiliated with a central buying organization buy and receive their meat directly from the meat packer. In either case, one packer is generally used as the primary source of supply for fresh meat, although one or more secondary sources may also be used.

The meat buyer (whether at headquarters or at the retail level) must work closely with his supplier to obtain good feature items which will attract customers and promote a successful, profitable meat operation. For example, a packer may be supplying a buyer in one area with a large quantity of forequarters, which means he will have a surplus of hindquarters. If made aware of this, a buyer in another area may find it good business to feature the cuts from hindquarters.

At the store level, the Meat Manager tries to determine the most popular and profitable mix of items to be sold in the department, based on the results of cutting tests, past tonnage figures for each type and cut, and customer requests and complaints. In ordering meat, he must consider many things, including:

- What inventory is on hand in the coolers and the display cases?
- What is the condition of the stock on hand?
- What items in stock can be sold before the next delivery?
- What is already on order?
- What quality and weight range of meat is desired?
- What items will be featured or promoted?

In addition, the Meat Department Manager has to know when the meat is to arrive so that factors like employee days off, special holidays, dates of feature ads, and processing time and display case life can be incorporated into the receiving plan.

RECEIVING, HANDLING, AND STORING MEATS

There must be a definite plan for receiving, handling, and storing meats before the manufacturing-type operation of the Meat Department can begin producing the final cuts desired by the customers. The proper equipment, in good condition, in the right position within an efficient layout -- these are necessary before the operation can commence.

To begin with, there should be a separate door for meat deliveries, as well as special equipment to receive and weigh the incoming meat. (NOTE: In some cases, carcasses are broken down into hindquarter and forequarter or into primal cuts before they arrive at the retail store.)

The unloading dock at the meat receiving door should be level with the truck bed to make the handling of incoming meat easier and safer. (SEE DIAGRAM A)

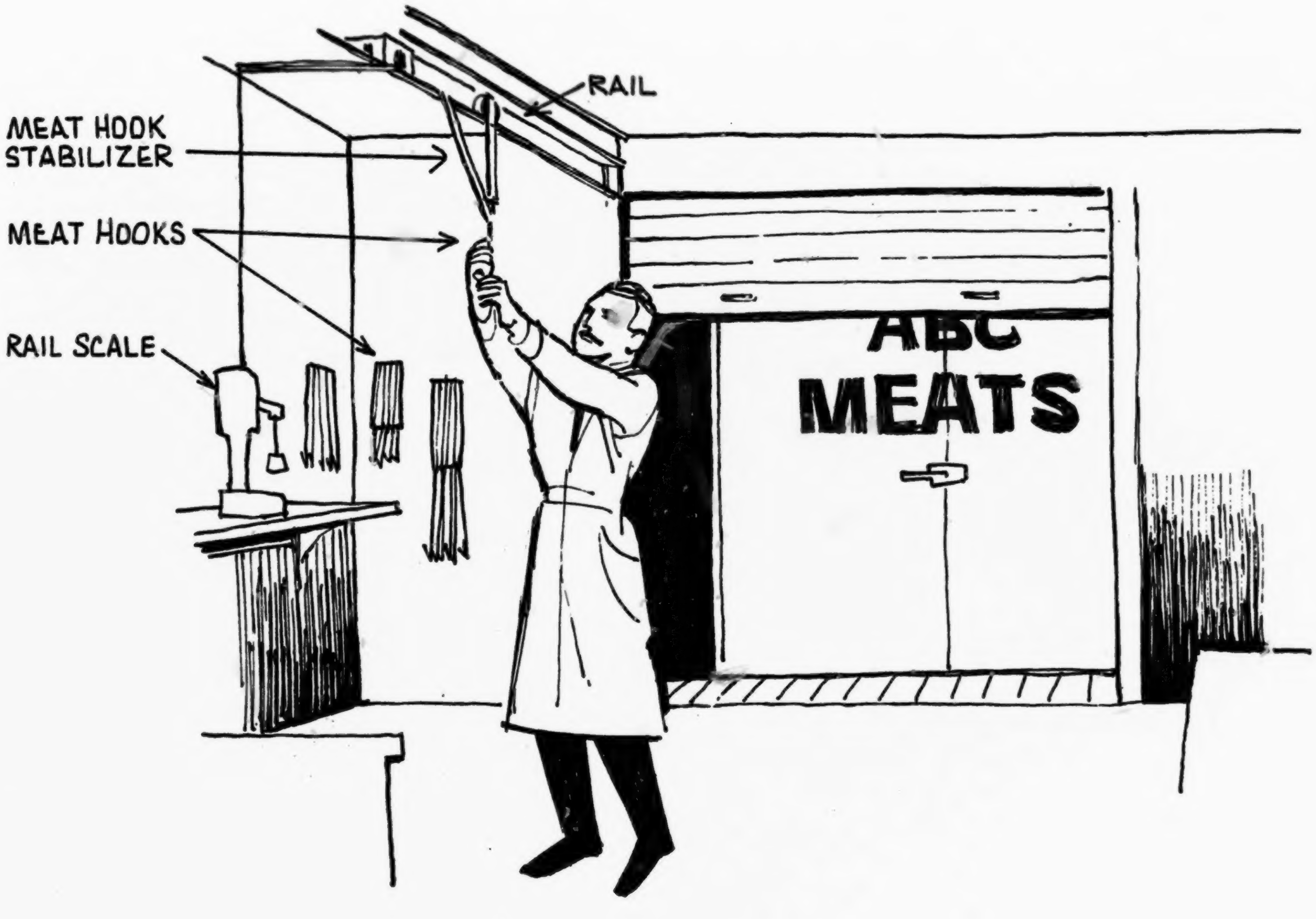


DIAGRAM A

Receiving rails which start at the receiving door and run to the inside of the cooler facilitate the handling of the heavy carcasses or hindquarters and forequarters. The meat should be hung on the rails by type (for example, all beef together), as soon as it leaves the truck.

The rail scale, attached to the rail that runs from the receiving door into the cooler, permits weighing the meat as soon as it is unloaded from the truck. The quality of the incoming meat can also be checked during the weighing operation.

The rough cuts of the meat (inside skirts, flanks, kidneys, etc.) are usually cut from the hanging carcasses before the meat is moved along the receiving rails into the cooler. The cooler should have been cleaned and set in order as a part of the daily routine of the department.

Once the carcasses are pushed into the coolers, they can be broken-down into their main sections (hindquarter, forequarter, etc.) or, if the meat is received in this form, into the primal cuts (rounds, ribs, loins, etc.). In many stores, this is done right in the cooler, as the meat is hanging from the rails it was placed on when received. (SEE DIAGRAM B) In other stores, it is done outside the cooler, in which case power saws are often used. (SEE DIAGRAM C)

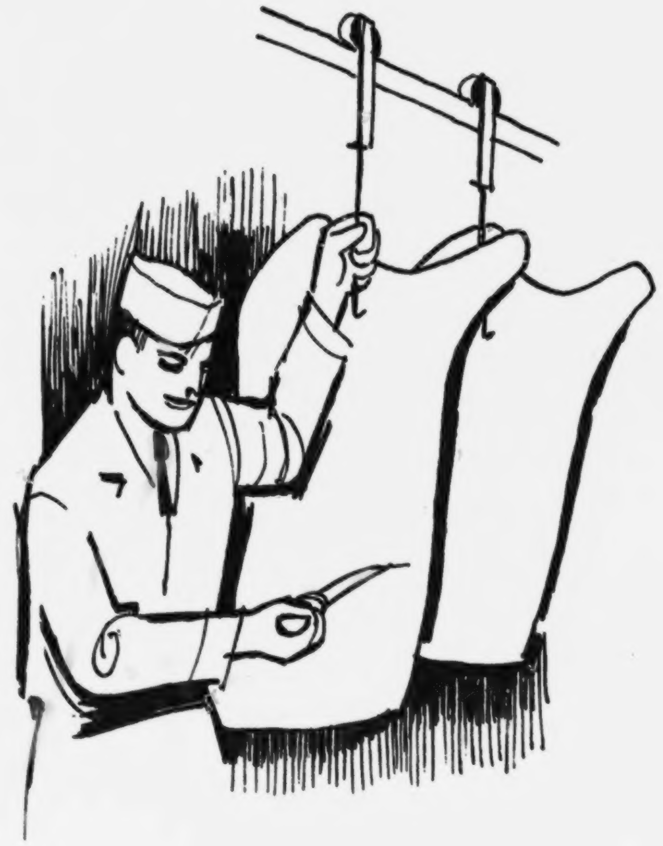


DIAGRAM B

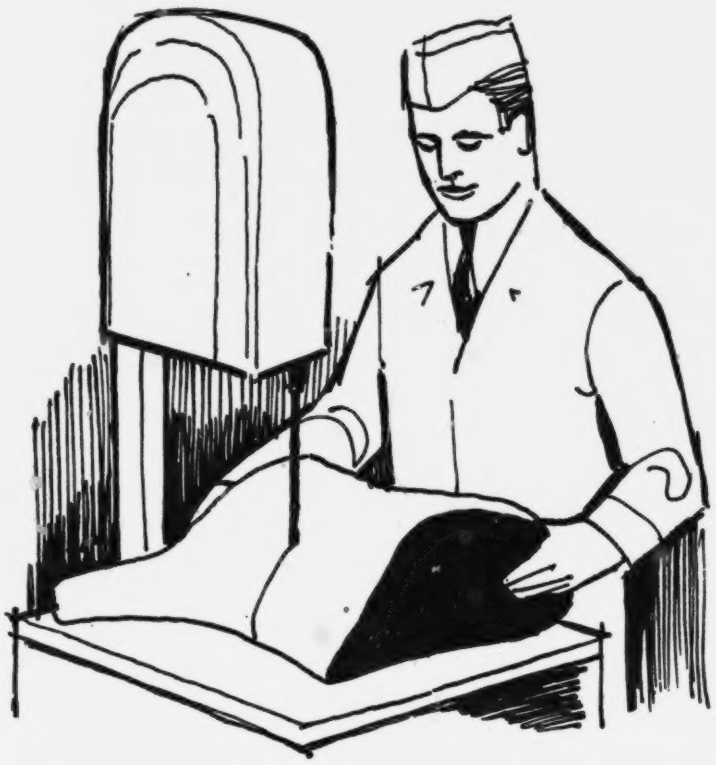


DIAGRAM C

If the cooler is large enough and if the proper tools and equipment are available, the primal cuts can be converted into final retail cuts within the cooler rather than in the cutting room. The chief benefit of this method is less handling of the meats at different temperatures.

Not all of the meat that is received at the store requires further processing into final retail cuts. Some meats such as lunch meats and smoked meats arrive prepackaged and ready for sale. Separate coolers are needed for fresh meat and smoked meat due to the different humidity requirements for each.

- Fresh meats and poultry need a high humidity to retain their juices and their weight.
- Smoked meats require low humidity because they are already dried out and any additional moisture would increase the bacteria count and the possibilities of deterioration.

If definite procedures for receiving, handling and storing are set and followed, the entire operation can begin to function smoothly as soon as the truck delivering the meat reaches the receiving door. The more thorough the planning, the faster the production and the greater the output per man-hour.

CUTTING, TRIMMING, AND PACKAGING MEATS

1. Cutting

Cutting the meat into retail cuts is one of the last steps in the manufacturing-type operation of the Meat Department. The cutters should attempt to:

- Cut the meat with clean strokes using properly sharpened tools, so that no jagged edges appear on the product.
- Avoid cutting any pieces so they are mishaped.
- Remove all inedible portions.
- Provide the sizes and quantities desired by the customers who patronize the store. For example, large families need large pieces of meat (steaks and roasts) and packages that contain more than two or three chops.

If the products are not broken down into retail cuts in the cooler, this is done in the cutting room. Temperatures in the cutting room should be maintained at not more than 50° to 60°. The cutting blocks should be conveniently located, rail stock handy to the cutters, rails designed to move the heavier cuts to the blocks, power saws near the cutting blocks, and cube steak and grinder machines near the wrapping area. A sink readily accessible to all of the cutters is also essential.

2. Trimming

An important step in preparing meat for sale is taking the proper amount of trim (fat off the meat). The best quality meat might not sell if customers feel that a good portion of their money is being spent for the fat around the meat. The maximum amount of fat around a piece of meat should be close to 1/2 inch. In the trimming process, all bone not within the meat should also be removed.

Trimming usually results in a 1% to 2% weight loss in a piece of meat, but the reduction in retail value is generally more than compensated for by the increased volume that results from the return of satisfied customers.

3. Packaging

It wouldn't make much sense for a store to buy quality meat, produce popular retail cuts, trim them perfectly, and then package them poorly. In the self-service Meat Department, the package is often the only salesman for a piece of meat. Therefore, a good and honest sales job (packaging) is necessary for satisfied customers and repeat business.

Many successful meat merchandisers actually package meat so that the poorer side is visible to the customer. The reasoning here is that if the customer is satisfied with the poorer side of the meat, she will be delighted when she discovers the better side.

The packaging operation must be coordinated with, and keep up with, the meat-cutting production line. Otherwise, the freshly-cut meat will be exposed to the air for longer periods than necessary, resulting in shrinkage.

In many stores, the retail cuts are wrapped right in the cutting room. In this way, movement of the meat in and out of different temperatures is kept at a minimum. Often, the cutting and wrapping facilities are visible to the customers to provide some of the "butcher shop" atmosphere.

In most supermarkets today, semi-automatic or fully-automatic wrapping machines are used for packaging meats. Many stores use automatic scales which print the label showing the type of cut, weight, price per pound, and selling price for the package. Some also code-date the labels.

As we saw in Section II, code-dating each package is an essential step in ensuring the proper freshness of meats. The code dates can be checked during the stock rotation operation and any products that are nearing the end of their case life can either be marked down and sold at the discount table, or be brought to the cutting room for reprocessing into a more suitable form.

GRADES AND POPULAR CUTS OF FRESH MEAT

All meat shipped in interstate commerce (meaning across state boundaries) is subject to inspection for wholesomeness by the United States Department of Agriculture. This means that 80% of the meat sold in the United States is federally inspected.

1. Grades of Fresh Meat

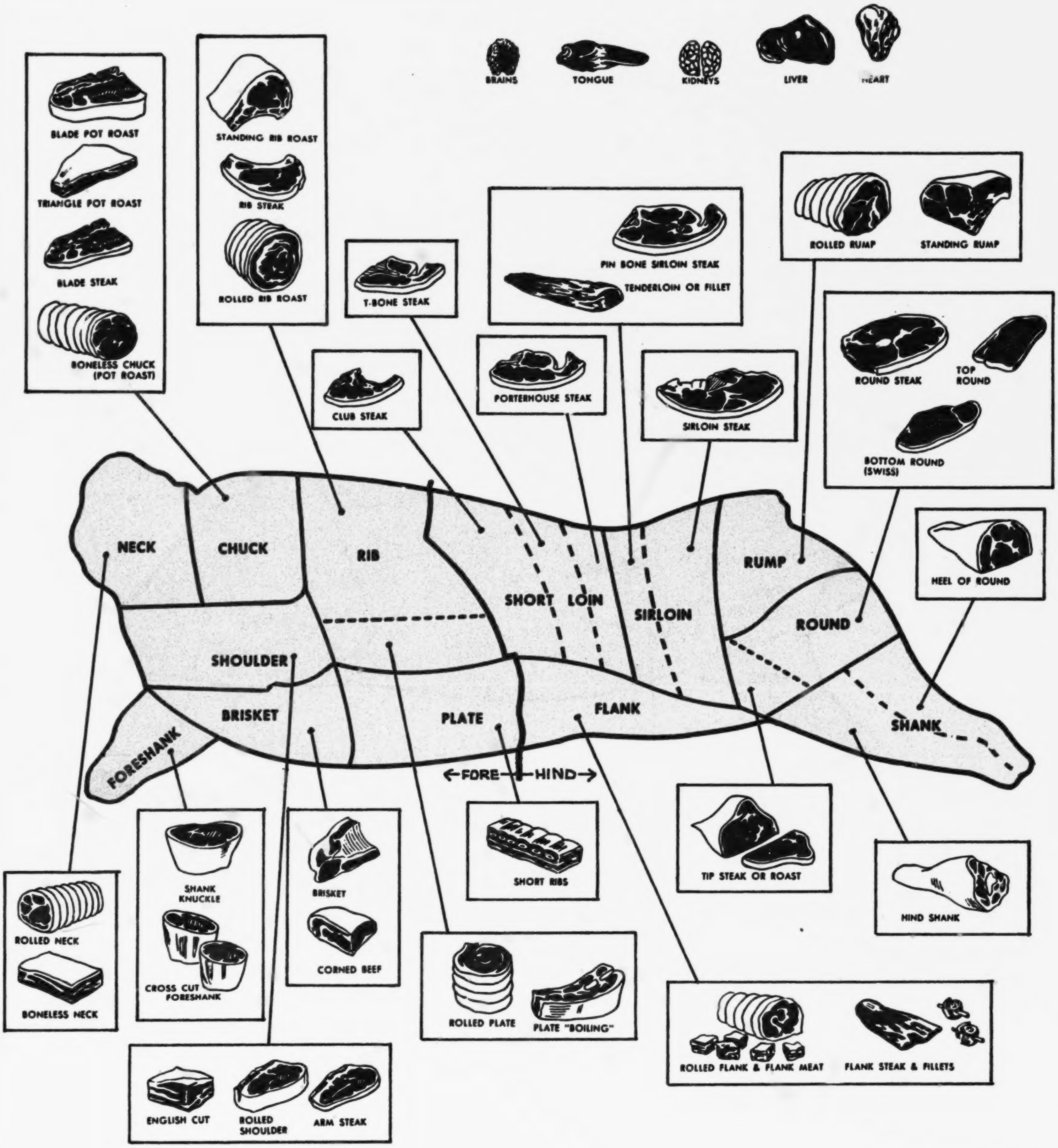
Grading is a method of describing the quality of the meat as it is inspected, but grading is not required by law. The U. S. Government grades found in supermarkets are, in descending order of quality: Prime, Choice, Good, Standard, and Commercial.

Not all meat is government graded. Many meat packers use their own grading systems to denote the quality of their meats. For example: Star, Premium, Pride, etc., denote top-quality meat.

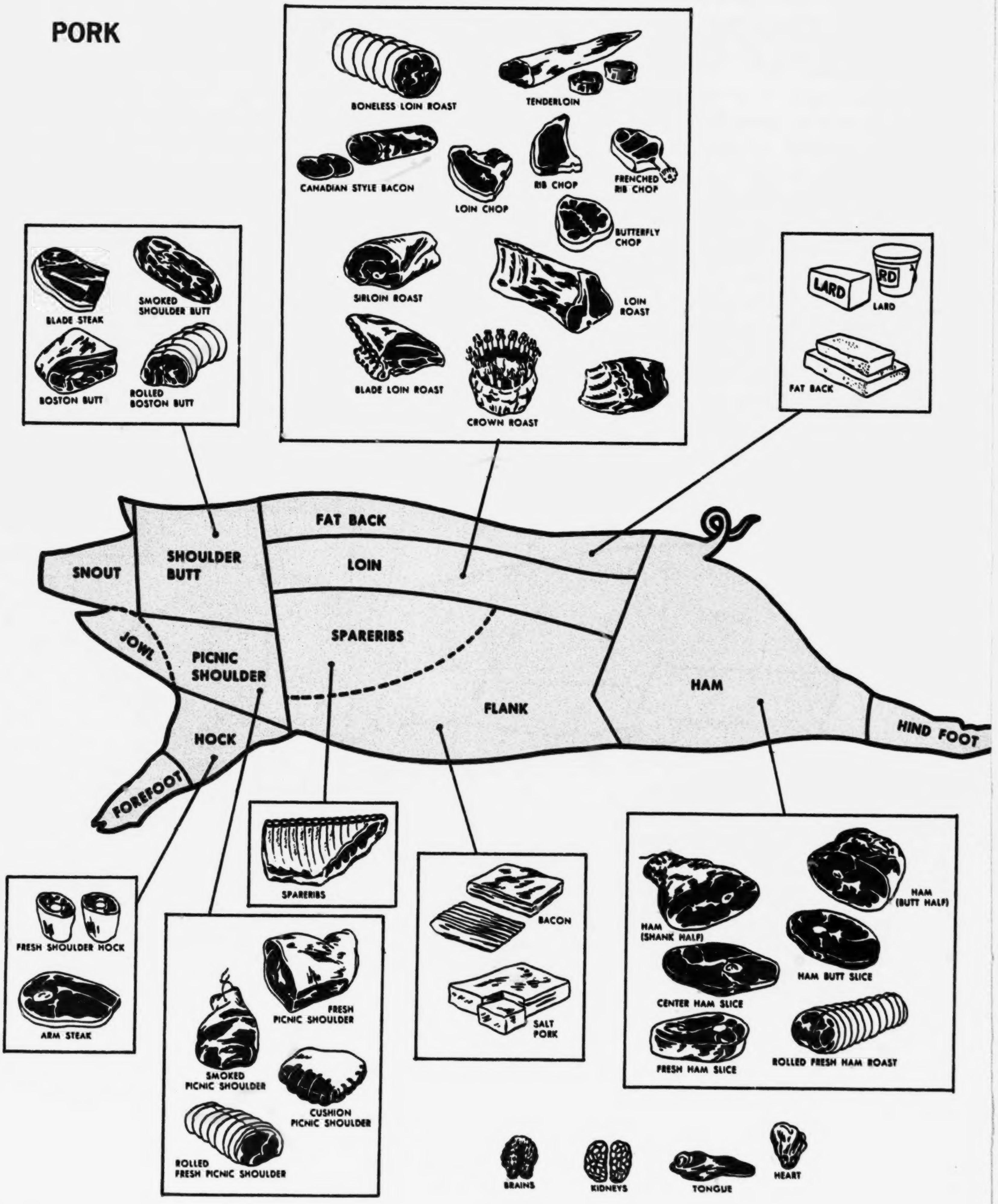
2. Cuts of Fresh Meat

The illustrations on the following pages show the primal cuts and the retail cuts of Beef, Pork, Lamb and Veal. Examples of some primal cuts are: Flank, Chuck, Rump, Shank and Round. Some retail cuts are: Rolled Rump Roast, Sirloin Steak, Round Steak, Rolled Rib Roast and Porterhouse Steak.

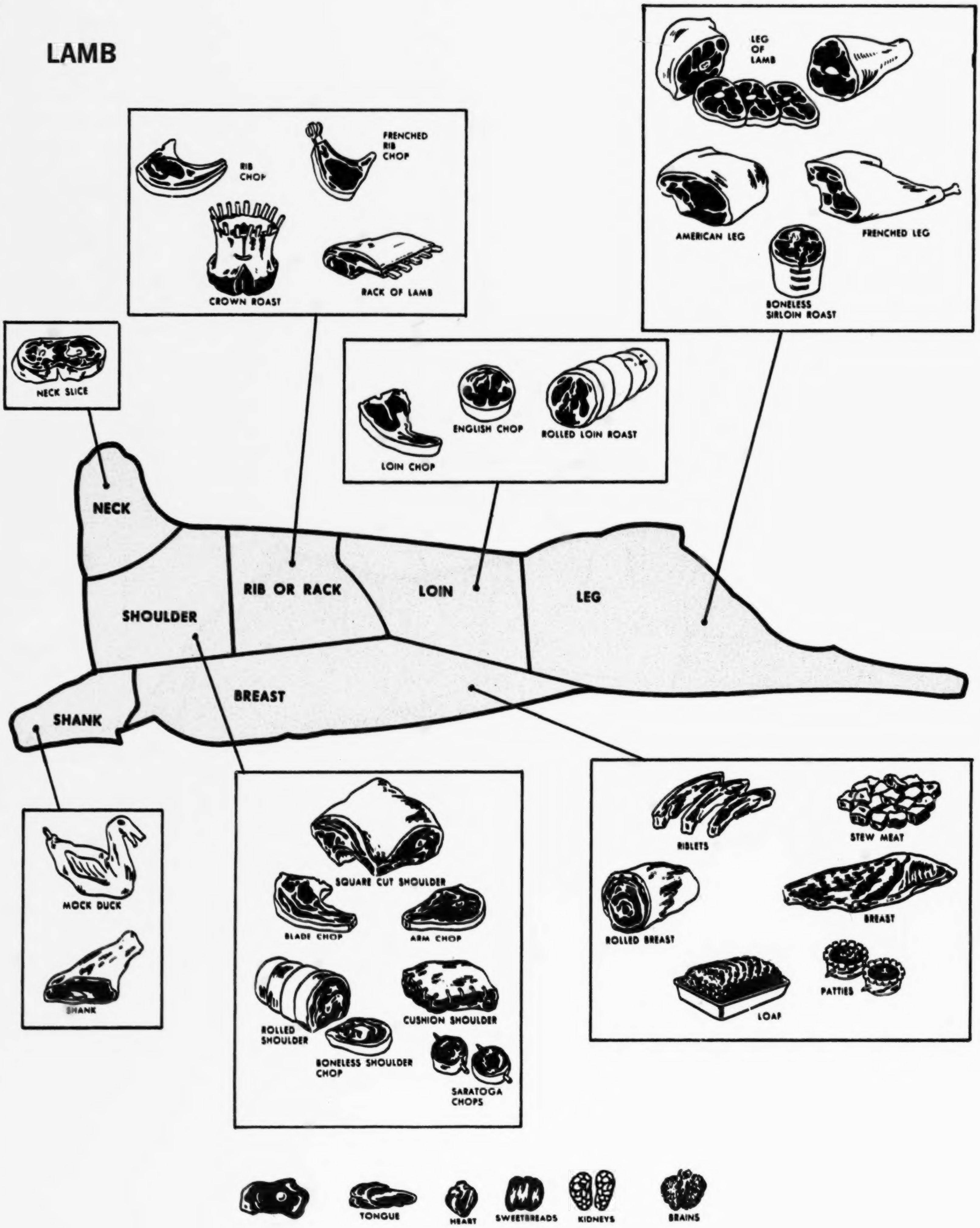
BEEF


BRAINS
TONGUE
KIDNEYS
LIVER
HEART
BLADE POT ROAST
TRIANGLE POT ROAST
BLADE STEAK
BONELESS CHUCK (POT ROAST)
STANDING RIB ROAST
RIB STEAK
ROLLED RIB ROAST
T-BONE STEAK
CLUB STEAK
PIN BONE SIRLOIN STEAK
TENDERLOIN OR FILLET
PORTERHOUSE STEAK
SIRLOIN STEAK
ROLLED RUMP
STANDING RUMP
ROUND STEAK
TOP ROUND
BOTTOM ROUND (SWISS)
HEEL OF ROUND
NECK
CHUCK
RIB
SHORT LOIN
SIRLOIN
RUMP
ROUND
SHOULDER
BRISKET
PLATE
FLANK
SHANK
FORESHANK
←FORE—HIND→
ROLLED NECK
BONELESS NECK
SHANK KNUCKLE
CROSS CUT FORESHANK
BRISKET
CORNED BEEF
SHORT RIBS
ROLLED PLATE
PLATE "BOILING"
TIP STEAK OR ROAST
HIND SHANK
ROLLED FLANK & FLANK MEAT
FLANK STEAK & FILLETS
ENGLISH CUT
ROLLED SHOULDER
ARM STEAK

PORK

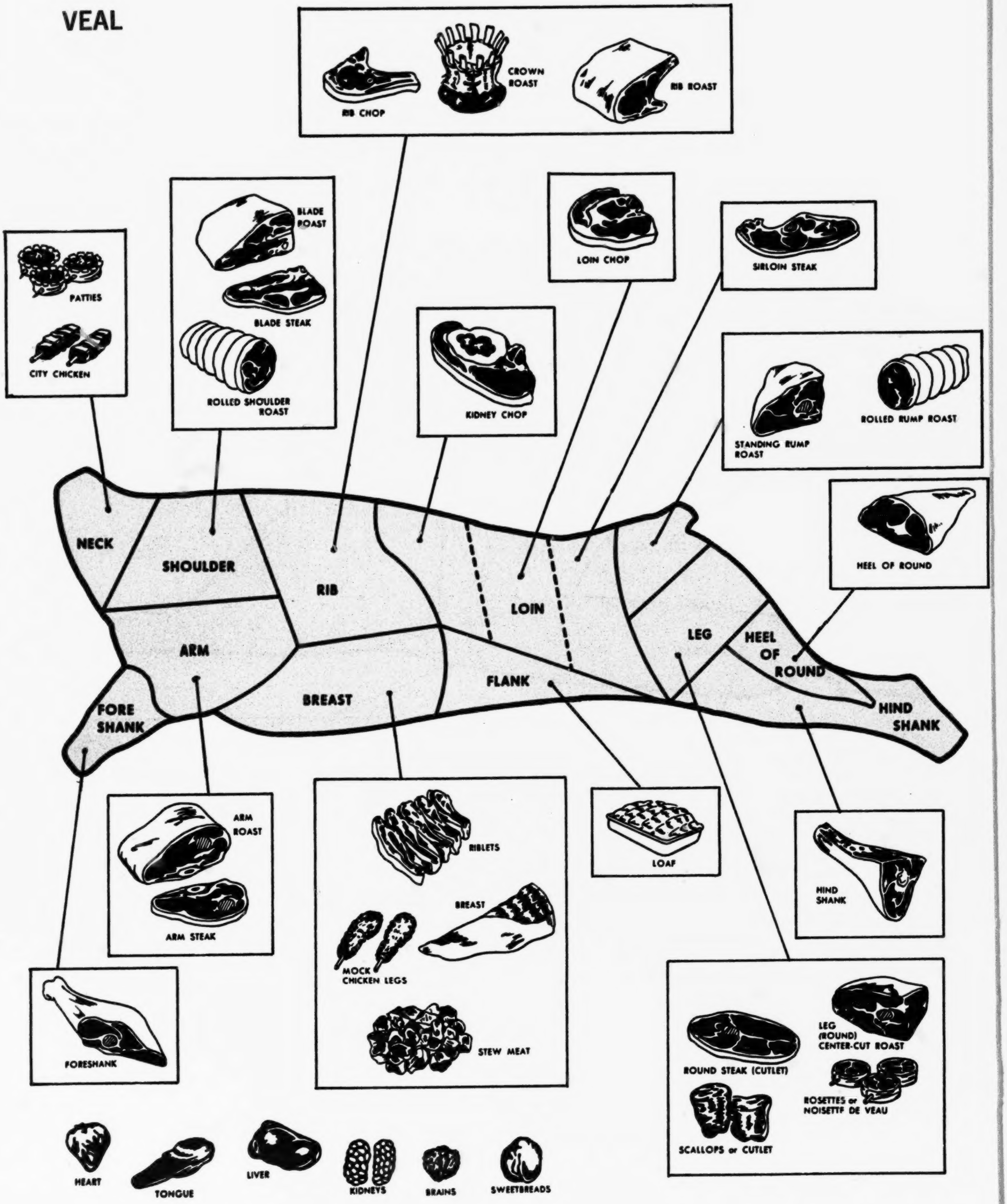

BONELESS LOIN ROAST
TENDERLOIN
CANADIAN STYLE BACON
LOIN CHOP
RIB CHOP
FRENCHED RIB CHOP
BUTTERFLY CHOP
SIRLOIN ROAST
LOIN ROAST
BLADE LOIN ROAST
CROWN ROAST
BLADE STEAK
SMOKED SHOULDER BUTT
BOSTON BUTT
ROLLED BOSTON BUTT
LARD
LARD
RD
FAT BACK
SNOUT
SHOULDER BUTT
FAT BACK
LOIN
JOWL
PICNIC SHOULDER
SPARERIBS
FLANK
HAM
HIND FOOT
HOCK
FOREFOOT
FRESH SHOULDER HOCK
ARM STEAK
SPARERIBS
FRESH PICNIC SHOULDER
SMOKED PICNIC SHOULDER
CUSHION PICNIC SHOULDER
ROLLED FRESH PICNIC SHOULDER
BACON
SALT PORK
HAM (SHANK HALF)
HAM (BUTT HALF)
HAM BUTT SLICE
CENTER HAM SLICE
FRESH HAM SLICE
ROLLED FRESH HAM ROAST
BRAINS
KIDNEYS
TONGUE
HEART

LAMB



LEG OF LAMB
AMERICAN LEG
FRENCHED LEG
BONELESS SIRLOIN ROAST
RIB CHOP
FRENCHED RIB CHOP
CROWN ROAST
RACK OF LAMB
NECK SLICE
LOIN CHOP
ENGLISH CHOP
ROLLED LOIN ROAST
NECK
RIB OR RACK
LOIN
LEG
SHOULDER
BREAST
SHANK
MOCK DUCK
SHANK
SQUARE CUT SHOULDER
BLADE CHOP
ARM CHOP
ROLLED SHOULDER
CUSHION SHOULDER
BONELESS SHOULDER CHOP
SARATOGA CHOPS
RIBLETS
STEW MEAT
ROLLED BREAST
BREAST
LOAF
PATTIES
TONGUE
HEART
SWEETBREADS
KIDNEYS
BRAINS

VEAL


RIB CHOP
CROWN ROAST
RIB ROAST
BLADE ROAST
BLADE STEAK
ROLLED SHOULDER ROAST
PATTIES
CITY CHICKEN
LOIN CHOP
SIRLOIN STEAK
KIDNEY CHOP
STANDING RUMP ROAST
ROLLED RUMP ROAST
HEEL OF ROUND
NECK
SHOULDER
RIB
LOIN
LEG
HEEL OF ROUND
ARM
FORE SHANK
BREAST
FLANK
HIND SHANK
ARM ROAST
ARM STEAK
RIBLETS
BREAST
MOCK CHICKEN LEGS
STEW MEAT
LOAF
HIND SHANK
FORESHANK
ROUND STEAK (CUTLET)
LEG (ROUND) CENTER-CUT ROAST
ROSETTES or NOISETTF DE VEAU
SCALLOPS or CUTLET
HEART
TONGUE
LIVER
KIDNEYS
BRAINS
SWEETBREADS

SELF-QUIZ

Self-Study Unit #7

This Self-Quiz is not intended as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (TRUE or FALSE) Self-service display cases in the Meat Department should be situated near outside doors or air conditioning ducts to provide adequate air circulation and prevent a build-up of offensive odors. (I-3) __________

2. (CIRCLE THE CORRECT ANSWER) Arranging meats in the display cases according to color combinations (does ... does not) add eye-appeal to the display cases and (does ... does not) help customers find what they want when shopping the department. (I-5)

3. (TRUE or FALSE) The current trend is to include a butcher-service section within a self-service Meat Department. (I-10) ________

4. (TRUE or FALSE) The Meat Department is the largest and most important department in the typical supermarket. (II-1, S-1) __________

5. Match the percentages at the right with the statements in the left hand column. (II-1, S-3)

   _____% of store's total number of items. a. 21%
   _____% of store's total selling space. b. 11%
   _____% of store's total gross profit dollars. c. 24%
   _____% of store's total dollar sales. d. 5%

6. (TRUE or FALSE) The Meat Department provides the highest dollar sales per square foot and the highest dollar sales per item in a typical supermarket. (II-2, S-4) ________

7. The annual rate of turnover for the Meat Department is about: (II-4, S-16)

   ☐ 125 turns ☐ 58 turns
   ☐ 41 turns ☐ 78 turns

8. The gross margin for the Meat Department is about: (II-4, S-17)

☐ 28% to 30%
☐ 18% to 20%
☐ 16% to 18%
☐ 20% to 24%

9. During recent store tests about 94 out of 100 customers entering the store passed the Meat Department. How many of these customers bought at least one meat item? (II-4, S-21)

☐ 58 out of 100
☐ 38 out of 100
☐ 94 out of 100
☐ 80 out of 100

10. When a group of shoppers was asked "How much difference do you find among supermarkets in meats?" ____________ (WHAT PORTION?) replied "some difference" or "great difference". (II-5, S-24)

11. What portion of the family food budget does the average shopper spend on meat? (II-6, S-28) ____%

12. Rank the five categories of products or sections in the Meat Department according to their relative share of the department's total dollar sales. (II-8 to II-14, S-41 to S-72)

____ Variety meat
____ Fresh meat
____ Fish
____ Luncheon and smoked meat
____ Poultry

13. Match the approximate % of total Meat Department sales in the right-hand column with the type of fresh meat in the left-hand column. (II-9, S-46)

____ Beef
____ Pork
____ Lamb
____ Veal

a. 1% to 2%
b. 10% to 13%
c. 2% to 3%
d. 35% to 45%

14. (CIRCLE THE CORRECT ANSWER) In stores employing the 2-grade Beef system, both grades should be (displayed side-by-side ... kept separate) in the display cases. (II-16, S-82)

15. Using the Cents per Pound pricing plan, what is the markup per pound for a Meat Department with estimated weekly meat tonnage of 7,500 pounds, expenses of $650, and desired net profit of $100? (II-20, S-97) ____¢

16. (TRUE or FALSE) In the Commodity Classification Chart pricing plan, markup per pound is figured for each product category or commodity group. (II-22, S-104) ________

17. (TRUE or FALSE) When making a cutting test, 5 or 6 pieces of the same type and weight should be cut and trimmed in various different ways over a 1 to 2 week period. (II-24, S-114) __________

18. (TRUE or FALSE) When packaging meat, the side that is representative of the whole piece should be visible to the customer. (II-28, S-127) ________

19. Four items that are usually regarded as "high demand items" in the Meat Department are: (II-32, S-150)

☐ Bacon
☐ Leg of Lamb
☐ Chicken
☐ Calf Liver
☐ Ground Beef
☐ Pigs Feet
☐ Pork Chops
☐ Steaks

20. (TRUE or FALSE) Feature items should always be displayed at the far end of the Meat Department to draw the customers through the entire department. (II-33, S-152) __________

21. (TRUE or FALSE) Shrinkage in meat occurs only before the meat is packaged, and not after packaging. (II-36, S-169) __________

22. (TRUE or FALSE) Deterioration is a continuous problem and must be guarded against at every step in the Meat Department operation. (II-38, S-178) ________

23. The average display case life of the various types of meat are: (II-41, S-197)

- Ground Beef -- ____ days
- Beef, Pork, Lamb, Veal, Poultry, and Fish -- ____ days
- Smoked Meat -- ________ days

24. (TRUE or FALSE) When receiving, handling and storing meats, it is important to keep smoked meats and table ready meats at a relatively high humidity, and fresh meats at a relatively low humidity, to preserve the quality of the meat. (III-4) __________

25. (TRUE or FALSE) All meat shipped in interstate commerce is subject to United States Department of Agriculture inspection, but the inspected meat does not have to be government-graded. (III-6) ________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 8

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Produce Department

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #8

In Unit #7, we studied what many people in the retail food industry consider to be the most important department in a supermarket -- the Meat Department. In this Unit we will cover what many others in the trade consider to be equally important -- the Produce Department. The opportunity to lend a fresh quality image to the entire store is just one reason why this department is so important in most supermarkets. More reasons that highlight this importance are contained in the following material.

Specifically, in this Unit we will study:

Section I. THE SCOPE OF THE PRODUCE DEPARTMENT

- A. Location and Layout of the Produce Department
- B. Personnel in the Produce Department
- C. Comparison of Customer-Service and Clerk-Service Produce Departments
- D. Share of Total Sales by Type of Produce

Section II. THE PRODUCE DEPARTMENT IN THE MODERN SUPERMARKET

- A. Importance of the Produce Department
- B. Elements of Effective Produce Merchandising
- C. Major Problems in the Produce Department

Section III. OPERATIONS OF THE PRODUCE DEPARTMENT

- A. Ordering of Produce
- B. Receiving, Handling, and Storing Produce
- C. Product Information

I. THE SCOPE OF THE PRODUCE DEPARTMENT

As a result of the excellent transportation system that exists today, a wide selection of produce items -- from all parts of the United States and from many foreign countries -- is available the year round. This tremendous variety has accounted for an increase in consumption of produce from 300 pounds per person per year in 1929, to 500 pounds per person in 1964.

Today's supermarket shopper expects to find from 50 to 150 different items in the Produce Department. Not only does she expect to find them, she also expects them to be fresh, top-quality items. Store operators are eager to satisfy these demands, for their fulfillment results in loyal store customers. In fact, the store's reputation is at stake in the Produce Department.

LOCATION AND LAYOUT OF THE PRODUCE DEPARTMENT

Since the Produce Department is so important, the department's location and layout are important factors in a store's success.

1. Location of the Department

The Produce Department should be close to the workroom and the receiving door, to reduce handling and exposure to uncontrollable temperature and humidity conditions. This is important because produce items are living cellular bodies that tend to lose a portion of their life at each handling. A minimum of handling means a prolonged display case life.

In general, the Produce Department should be located in a high-traffic area at the perimeter of the store. As we saw in Unit #7, the department often follows the Meat Department. This arrangement assists shoppers in completing their meal planning and encourages a profitable flow of traffic through the store. (SEE DIAGRAM A)

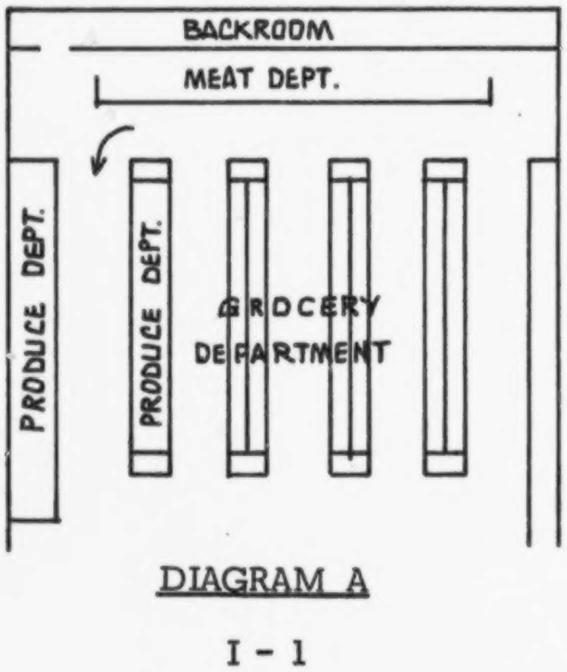


DIAGRAM A

In many supermarkets, the Produce Department is located near the front entrance, and is the first department that shoppers see upon entering the store. (SEE DIAGRAM B) This arrangement causes most shoppers to pass through the Produce Department to reach other needed items, thus exposing them to the many high-margin impulse items in the department.

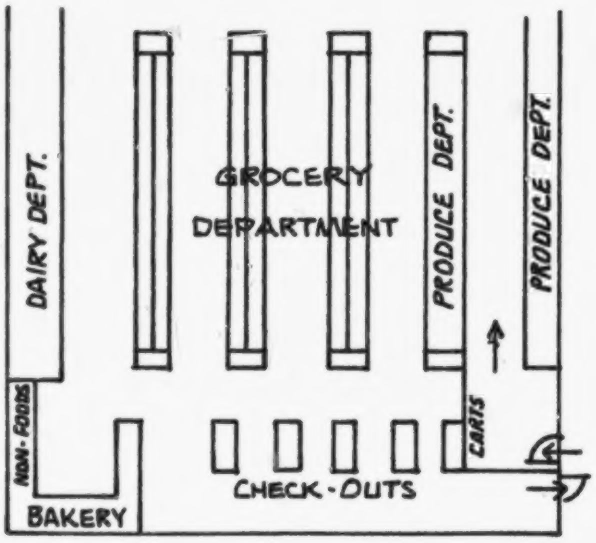


DIAGRAM B

2. Layout of the Department

The best possible location for the Produce Department -- in a high-traffic area at the perimeter of the store and convenient to the workroom and the receiving door -- will not necessarily mean a successful produce operation. The layout of the department is also important. Some points to be considered regarding the Produce Department layout are:

- Aisle space should be adequate for browsing (at least 5 feet wide), yet narrow enough to permit cross-aisle shopping.
- The weighing (or customer service) station should be conveniently situated for customers and for department personnel.
- Positioning of normal display cases should permit ample space for special displays.

The actual layout of the department will of course depend on its location and the amount of space available, and also on whether the department is clerk-service or customer-service. For example, in a completely self-service department with all items pre-packaged, no weighing station is needed. (The major differences between clerk-service and customer-service departments are covered later in this Section.)

a. Placement of the Display Cases

In many supermarkets, the Produce Department consists of a single straight aisle with center-aisle display tables. (SEE DIAGRAM C) Although this layout provides plenty of opportunity for effective merchandising in the form of special displays on the center-aisle tables, it discourages cross-aisle shopping. Customers tend to shop either one side of the aisle or the other, instead of shopping the entire department. Further, the center-aisle tables tend to create congestion in the department.

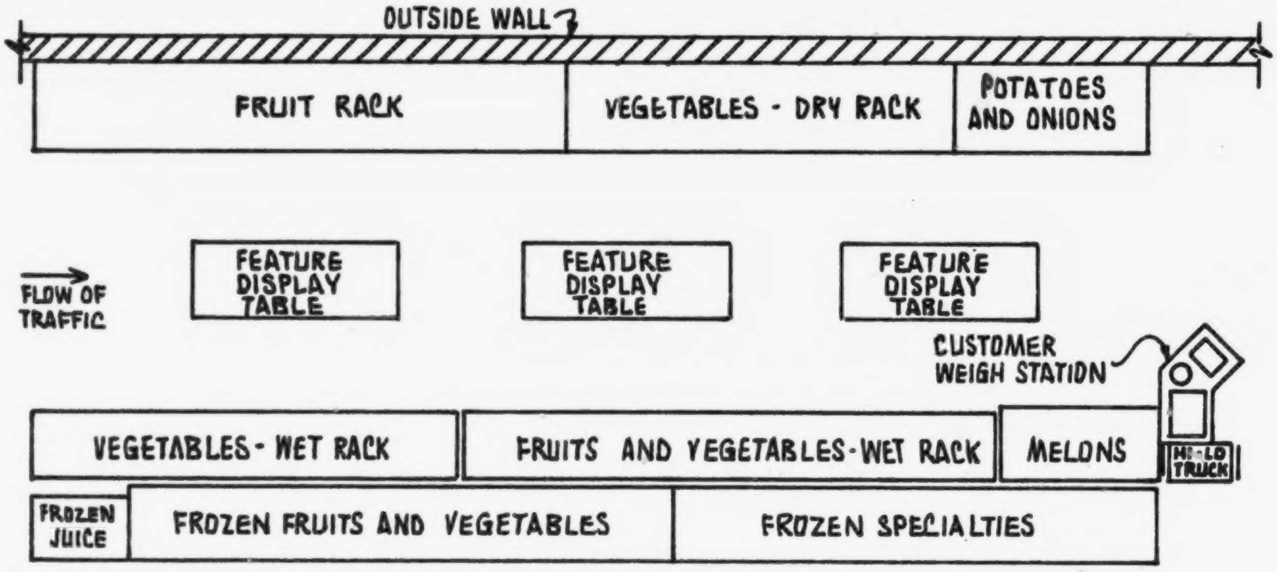

OUTSIDE WALL
FRUIT RACK
VEGETABLES - DRY RACK
POTATOES AND ONIONS
FLOW OF TRAFFIC
FEATURE DISPLAY TABLE
FEATURE DISPLAY TABLE
FEATURE DISPLAY TABLE
CUSTOMER WEIGH STATION
VEGETABLES - WET RACK
FRUITS AND VEGETABLES - WET RACK
MELONS
HI-LO TRUCK
FROZEN JUICE
FROZEN FRUITS AND VEGETABLES
FROZEN SPECIALTIES

DIAGRAM C

Recent United States Department of Agriculture tests indicate that a single aisle straight line department with no center aisle display tables is less congested and prompts a more thorough shopping of the department by 13% to 21%. (SEE DIAGRAM D) The same study points out that customers spend more time in the Produce Department than in all other departments except the Grocery Department. This in itself is good reason for using the uncongested single aisle straight line layout with no center display tables.

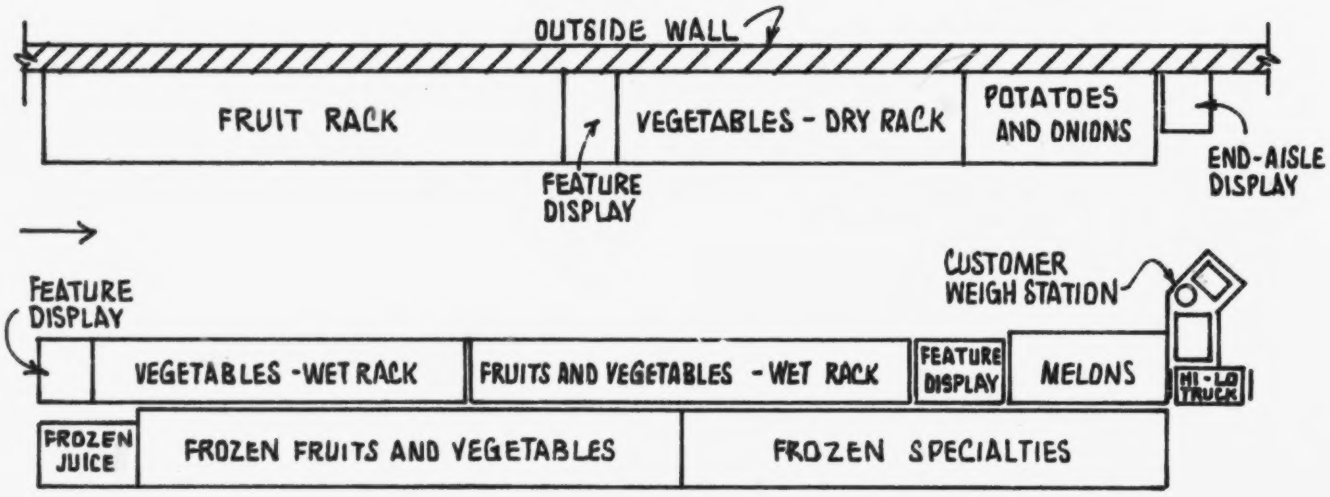

OUTSIDE WALL
FRUIT RACK
VEGETABLES - DRY RACK
POTATOES AND ONIONS
FEATURE DISPLAY
END-AISLE DISPLAY
CUSTOMER WEIGH STATION
FEATURE DISPLAY
VEGETABLES - WET RACK
FRUITS AND VEGETABLES - WET RACK
FEATURE DISPLAY
MELONS
HI-LO TRUCK
FROZEN JUICE
FROZEN FRUITS AND VEGETABLES
FROZEN SPECIALTIES

DIAGRAM D

b. Location of the Weighing Station

In most supermarkets, the weighing station (or customer service station) is located within the Produce Department. (SEE DIAGRAM E) In such cases, it is generally accepted that the station should be positioned at the end of the flow of traffic, as shown in Diagrams C and D, rather than in the middle of the department. This tends to reduce the congestion within the department.

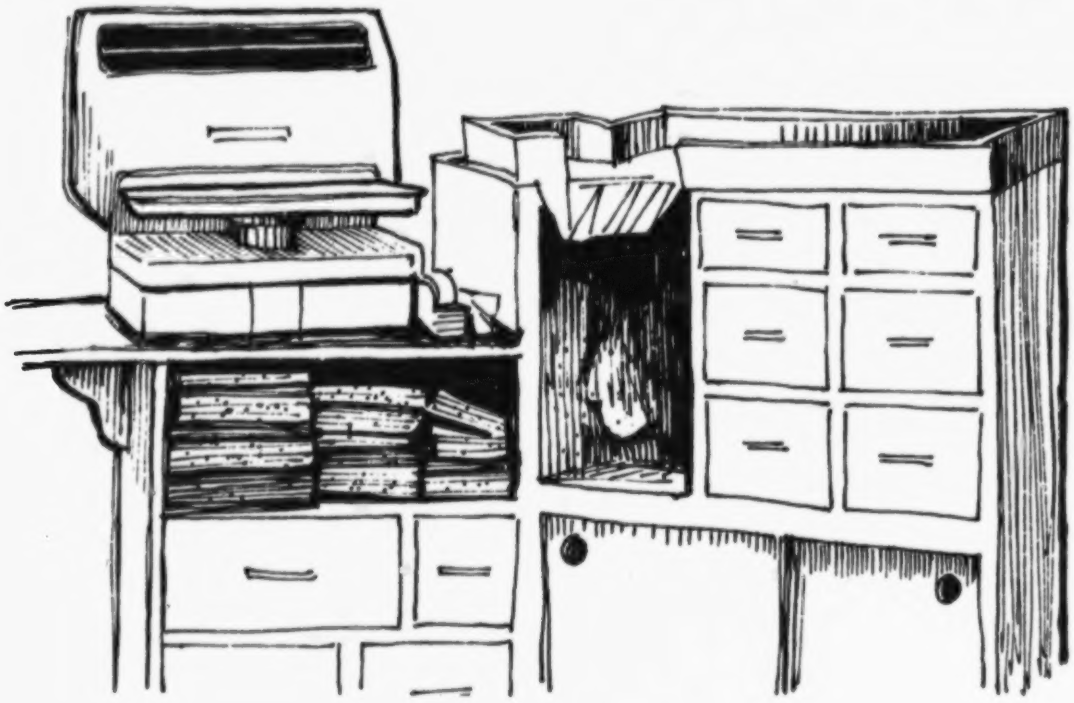


DIAGRAM E

In some stores, the customer service station has been removed from the Produce Department and placed at the check-out counters. In effect, this makes the Produce Department a completely self-service department. (SEE DIAGRAM F)

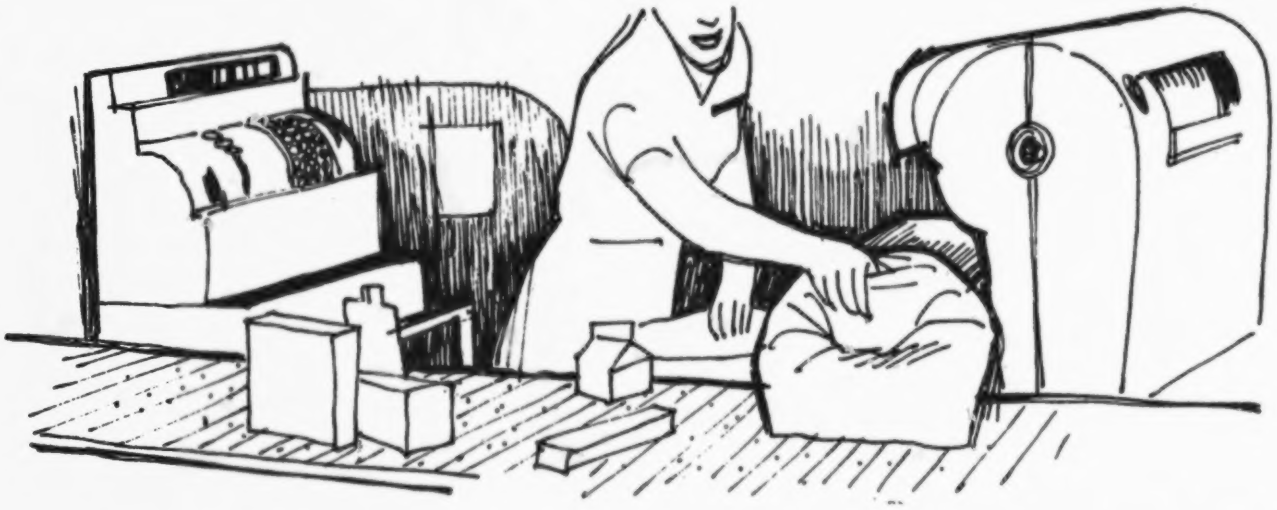


DIAGRAM F

Some of the major advantages of locating the customer service station in the department are:

- Lower equipment costs. (Each check-out counter requires a scale if weighing stations are located at the check-outs.)
- Experienced produce personnel in the department are less apt to make mistakes and are better able to help customers.
- Closer customer contact is achieved if someone is present in the department at all times.
- Produce items are protected better if purchases are bagged in the department. (Prevents damage on the rest of the customers' shopping trip.)
- Shoppers know the exact price of their purchases before they reach the check-out counters.
- The check-out operation is speeded -- bottlenecks and delays are prevented.

Some of the major advantages of locating the customer service stations at the check-out counters are:

- Produce clerks can concentrate on servicing the display cases without interruptions for weighing customers' purchases.
- There is less congestion in the department because shoppers need not wait to have their purchases weighed. Thus, shopping is faster.
- Removal of the weighing station provides additional space for display cases or special displays.
- There is a saving of labor and supplies, since individual items usually are not bagged separately.

c. Space for Special Displays

The layout of the Produce Department should provide ample space for special displays. The use of center-aisle display tables as shown in Diagram C satisfies this requirement. However, the congestion and the restriction of cross-aisle shopping that results may more than offset this advantage. Further, stores using this layout often confine their special displays exclusively to the center-aisle tables.

The use of feature displays slotted in or between the normal display cases is even more effective from the standpoint of promoting thorough shopping of the department. This arrangement, as illustrated in Diagram D, exposes shoppers to more items in the department than does the center-aisle display table arrangement.

The straight line department without center-aisle display tables also permits best use of extension displays. These are basically projections of the normal display cases. (SEE DIAGRAM G) If the extension displays are alternately positioned on both sides of the single aisle and filled with high-demand and feature produce items, a more thorough shopping of both sides of the aisle in the department is usually achieved.

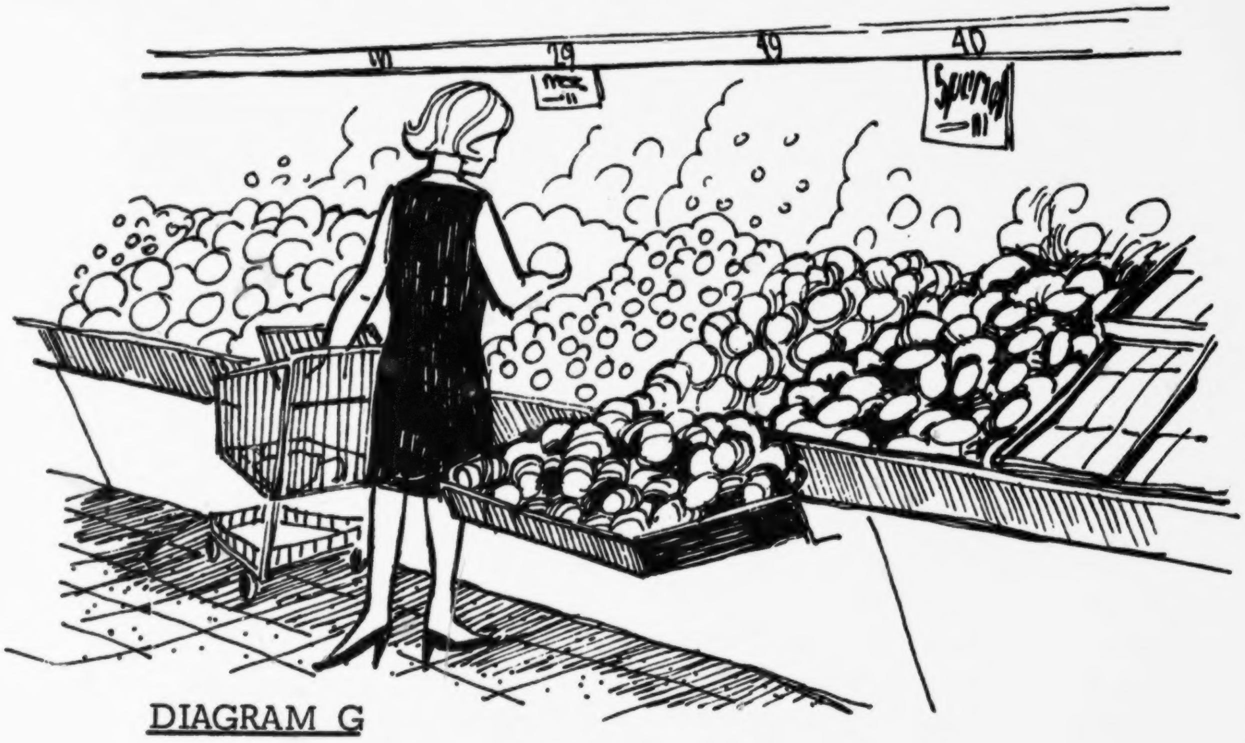


DIAGRAM G

Another type of display that is effectively used in the Produce Department, particularly with the straight line single aisle layout, is the end-aisle display. (SEE DIAGRAM H)

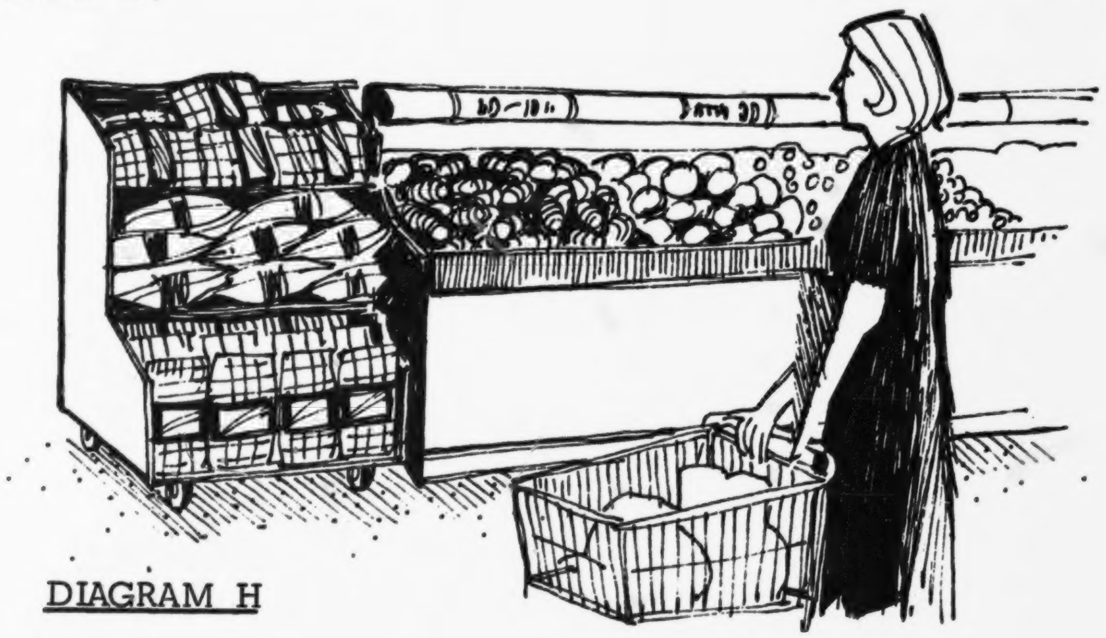


DIAGRAM H

3. Arrangement of Items in the Display Cases

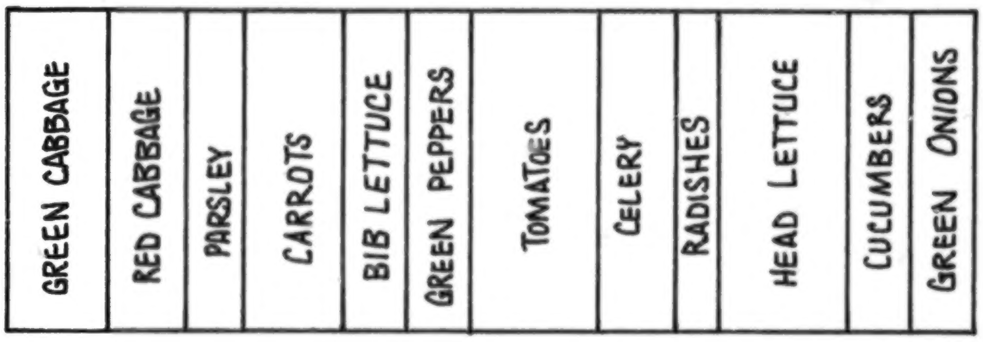
Produce items are often grouped by consumer use into five major product categories or groupings:

- Staple vegetables -- potatoes, onions, sweet potatoes, etc.
- Cooking vegetables -- corn, peas, beans, cauliflower, squash, egg-plant, brussel sprouts, beets, turnips, parsnips, etc.
- Salad items -- lettuce, cabbage, celery, peppers, cucumbers, carrots, etc.
- Staple fruits -- apples, oranges, bananas, etc.
- Seasonal fruits -- melons, peaches, grapes, etc.

Various approaches are used with respect to the arrangement of the items within the department. In some stores, items in each product category are displayed together in the same section of the department. In other stores, products are intermixed without grouping like items together. In still other stores, items are separated into the two major groupings, fruits and vegetables.

Regardless of which of these approaches is used, high-demand items and feature items should be scattered throughout each section or throughout the department, instead of being displayed next to each other. Semi-demand or seasonal items and impulse items should be displayed next to each high-demand or feature item. This not only exposes shoppers to more items in the department, it also reduces congestion in the department.

The illustration below shows how high-demand items can be scattered throughout the Salad section of the Produce Department.



This diagram illustrates another objective in laying out the Produce Department: achieving color contrast in the display cases. Notice how red and dark green salad items are displayed next to light green items. In the same way, different types of apples could be scattered throughout the Fruit section, intermixed with pears (green), peaches (yellow), oranges (orange), plums (purple), and so on. This kind of color contrast within each section or within the department as a whole adds eye-appeal and interest to the department.

PERSONNEL IN THE PRODUCE DEPARTMENT

The staff of the Produce Department in an average-sized supermarket usually consists of:

- Produce Manager. The Produce Manager is a very important member of the store's management team. Proper management of his personnel, workroom production, and inventory is necessary if the department is to yield maximum sales and profits for the store and develop loyal customers.

  Besides possessing the essential management skills in the broad areas of financial and inventory control, planning, customer relations, and employee relations, the Produce Manager must also know some of the physiology of each type of produce item. He must not only know the proper method for trimming, storing and displaying each item to retain freshness, he must also know how to re-condition items that may be starting to lose their freshness in order to make them saleable. Finally, the Produce Manager must be an expert at merchandising produce items.

- Assistant Produce Manager. The Assistant Produce Manager is the Produce Manager's right-hand man and assumes the responsibility for operating the department when the Produce Manager is not present. In many stores, the Assistant Produce Manager mans the weighing station and/or handles the preparation room.

- Preparation Room Personnel. In the preparation room or workroom, produce is unpacked and trimmed before being put in the display cases. In stores selling pre-packaged produce, the items are also weighed, priced, packaged, and labeled in the preparation room. The size of the preparation room staff will vary in number, depending on the volume of sales in the Produce Department and whether the department is clerk-service or customer-service.

The importance of team-work among personnel in the Produce Department cannot be over-emphasized. An essential part of the Produce Manager's job is to develop this team spirit on the part of each employee in the department.

COMPARISON OF CUSTOMER-SERVICE AND CLERK-SERVICE PRODUCE DEPARTMENTS

The location and layout of the Produce Department -- as well as the personnel requirements in the department -- depend in part on whether the department is a clerk-service department or a customer-service department.

Basically, the differences between clerk-service and customer-service are these:

- A clerk-service department is one in which a Produce Clerk is available in the department at all times to assist customers in selecting items and to weigh and price-mark customers' purchases.

- A customer-service or self-service department is one in which customers select their own items -- either all items are pre-packaged and can be put directly into customers' shopping carts, or customers bag their own purchases and have them weighed and priced at the check-out counter.

The following are considered the major advantages of a customer-service Produce Department:

- More convenient for the shopper -- saves her time.
- Increases the number of units the shopper will pick up, assuming that items are pre-packaged.
- Reduces labor costs, particularly in stores with large produce volume.
- Reduces shrinkage due to product deterioration.
- Reduces shrinkage due to customer handling.
- Encourages buying in larger units.
- Makes advertising easier since items can be advertised in units (for example, 3 lbs. of apples for 49¢).

Some commonly-cited disadvantages of a customer-service Produce operation are:

- Unless all items are pre-packaged, shoppers may be reluctant to bag their own items.
- If items are pre-packaged, shoppers may be reluctant to accept the size of package available. Pre-packaging takes away the right of choice for customers.
- Shoppers may desire information about products, since there are relatively few branded or graded items in the department.
- Shoppers often cannot determine the degree of ripeness in pre-packaged goods.

Many produce items are already pre-packaged when they arrive at the store -- about 40% of the total number of items, in fact. As a result, the trend today seems to be toward a completely customer-service department. However, many operators still feel that the best way to realize maximum produce sales is to have personnel in the department catering to and cultivating new customers.

In clerk-service departments and in customer-service departments, pre-packaging has gained in popularity in recent years. The following advantages are often cited for pre-packaging produce items, either at the store level or at some point before the products reach the store.

- Volume can be increased -- packages can be picked up much easier than individual items.
- Displays can be built faster with pre-packaged goods.
- Packaged goods maintain a fresh appearance and good quality longer.
- Packagers can grade the produce items, giving all packages value appeal.
- Stock rotation process is simpler with pre-packaged items.
- Inventory control is much faster and more accurate if goods are packaged.
- Packages can be labeled with store name to develop customer loyalty.

A key requirement in a Produce Department making extensive use of pre-packaging is that various-sized packages must be available. Otherwise, many potential sales may be lost. A home-maker shopping for a family of two, for example, may choose to go elsewhere or do without instead of buying a package so large that half the contents would spoil before being used.

SHARE OF TOTAL SALES BY TYPE OF PRODUCE

Earlier, we saw that the Produce Department contains a number of high-demand items, numerous semi-demand and seasonal items, and a great many impulse items. As we also saw, knowing which items fall into each category is essential in laying out the department properly and in merchandising items in the department.

In the Produce Department of a typical supermarket, twenty-one items (out of a total of 50 to 150 different items in the department) account for between 75% and 90% of total annual dollar sales in the department. These items, with their approximate share of total annual dollar sales, are shown below.

FRUITS	% of total dollar sales
Bananas	10%
Apples	8%
Oranges	8%
Tomatoes	5%
Grapes	3%
Grapefruit	3%
Cantaloupes	2.5%
Peaches	2.5%
Berries	2%
Pears	1.5%
Watermelons	1.5%
Lemons	1.5%
Total Fruits	48.5%

VEGETABLES	% of total dollar sales
Potatoes	12%
Lettuce	7%
Onions	3%
Celery	3%
Beans	3%
Corn	2.5%
Carrots	2%
Cabbage	2%
Cucumbers	1.5%
Total Vegetables	36%
Total Fruits	48.5%
Sub-total	84.5%
Other	15.5%
GRAND TOTAL	100%

In analyzing these figures, we can see that six items account for roughly half the total dollar sales in the department -- Bananas, Apples, Oranges, Tomatoes, Potatoes, and Lettuce. Obviously, these are the high-demand items in the Produce Department!

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead...and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE PRODUCE DEPARTMENT IN THE MODERN SUPERMARKET

IMPORTANCE OF THE PRODUCE DEPARTMENT

S-1 As we saw in Unit #7, the Meat Department is often considered to be the most important department in the supermarket for developing loyal customers. However, many people contend that the Produce Department is at least as important for developing _________ customers.

R-1
loyal

1. Space allocations, sales, and profits of the Department

S-2 With the possible exception of the Meat Department, the Produce Department is the most important department in the supermarket when it comes to developing ____________ ____________________. This is indicated by the fact that the Produce Department has the highest unit sales per item of any department in the store.

R-2
loyal customers

S-3 The Produce Department (with between 50 and 150 items) has the fewest items of any department, but it has the highest _________ __________ per item of any department.

R-3
unit sales

S-4 One reason for the Produce Department's having the *(highest... lowest)* unit sales per item is that the department has the least number of items of any department -- about 3% of the store's total. (CIRCLE THE CORRECT WORD)

R-4
highest

S-5 With about 83 unit sales per item per week, the Produce Department ranks highest in _______ _________ per _______ per week of the six major departments in a typical supermarket. In addition, the department accounts for about:

- 10% of the total selling space;
- 7% of the total dollar sales;
- 11% of the total unit sales.

From these figures, we can see that unit prices of items in the department are *(higher... lower)* than the average for the store as a whole. (CIRCLE THE CORRECT WORD)

R-5
unit sales (per)
item
lower

S-6 Although the Produce Department has the highest unit _______ per item per week, the unit _________ of items in the department are lower than the average for the store as a whole.

R-6
sales
prices

S-7 The ________ _____________ of items in the Produce Department are lower than the store average, and the department contains the *(most ... fewest)* items of any department in the store. As a result, the cost of inventory in the Produce Department is extremely low.

R-7
unit prices
fewest

S-8 The cost of inventory for produce (about $400 per week) is extremely *(high ... low)* considering that the Produce Department in a a typical supermarket accounts for about 7% of weekly dollar sales.

R-8 low	S-9	The Produce Department has a relatively low cost of ________________ compared to the other departments in the store.
R-9 inventory	S-10	The fact that the ______ ___ ______________ in the Produce Department is relatively low and yet the department's weekly dollar sales are relatively high would indicate that the department has a high return on inventory investment.
R-10 cost of inventory	S-11	The Produce Department provides the second-highest annual return on _______________ ________________ of the six major departments in the typical supermarket.
R-11 inventory investment	S-12	The fact that the Produce Department provides the __________ - __________ return on inventory investment for any department in the store is largely due to the fact that the Produce Department has a high rate of turnover.
R-12 second-highest	S-13	The Produce Department provides the second-highest _________ on ______________ ________________ and also the second-highest annual rate of ______________ (about 78 turns per year).
R-13 return (on) inventory investment turnover	S-14	The Produce Department's annual ________ ___ ______________ is about 78 turns per year, compared to about 28 turns for the store as a whole, about 20 turns for the Grocery Department, about 58 turns for the Meat Department, and about 125 turns for the Bakery Department.

R-14 rate of turnover	S-15	The rate of turnover in the Produce Department (about ______ turns per year) is second only to the Bakery Department (about 125 turns per year).
R-15 78 (turns)	S-16	The Produce Department provides the second-highest annual return on ________________ ________________, largely because the cost of inventory is extremely low and the rate of turnover is relatively high (about ______ turns per year). Also, the gross margin on produce items is quite high -- about 25% to 30%.
R-16 inventory investment 78 (turns)	S-17	The Produce Department's ____________ __________ of about 25% to 30% is one of the highest (if not the highest) of the six major departments in a typical supermarket.
R-17 gross margin	S-18	The gross margin for the store as a whole is about 18% to 20%, for the Grocery Department about 16% to 18%, and for the Produce Department about ______% to ______%.
R-18 25% (to) 30%	S-19	As we've seen, the Produce Department provides the second-highest return on inventory investment, largely because: • The cost of inventory in the department is extremely *(high ... low)* • The rate of turnover in the department (about ______ turns per year) is second-highest in the store. • The gross margin for the department (about ______% to ______%) is one of the highest in the store, if not the highest.

R-19
low
78 (turns)
25% (to) 30%

S-20 The fact that the Produce Department provides the second-highest __________ on __________ __________ and an extremely high rate of __________ may mislead some in believing the department's full potential has been achieved. Quite the opposite is true, as evidenced by the fact that only about half the shoppers buy from the department on any given shopping trip.

R-20
return (on) inventory investment
turnover

2. Consumer Attitudes toward the Produce Department

S-21 In recent store tests, 90 out of every 100 shoppers entering the store passed the Produce Department, but only __________ (WHAT PORTION?) (about 56 out of 100) bought at least one produce item.

R-21
about half

S-22 If __________ (HOW MANY?) out of every 100 shoppers entering the store pass the Produce Department and only __________ (WHAT PORTION?) of them buy at least one produce item, we can see that the potential for this department is very high.

R-22
90
about half (or 56)

S-23 Despite the high rate of turnover and the high return on inventory investment in the Produce Department, the potential in the department (or the opportunity for even greater sales and profits) is very *(high ... low)*.

R-23 high	S-24	The ______________ in the Produce Department is very high, as indicated by recent store tests in which 90 out of every 100 customers entering the store passed the Produce Department, but only _____ (HOW MANY?) bought at least one item. In the same tests, shoppers were asked "How much difference do you find among supermarkets in produce?" • 27% replied "a great difference". • 32% replied "some difference". • 41% replied "little difference".
R-24 potential about half (or 56)	S-25	(TRUE or FALSE) Almost half of the customers interviewed in recent store tests noted little difference in the Produce Departments of different supermarkets. __________
R-25 True	S-26	Many people evidently *(are ... are not)* conscious of the level of quality of produce sold in different stores, because only 32% of the shoppers notice "some difference" and only 27% notice "a great difference" in produce among supermarkets. In fact, when customers were asked "Why do you shop THIS store?" only about one-third mentioned the produce.
R-26 are not	S-27	Only about ________________ (WHAT PORTION?) of the shoppers patronize a particular supermarket because of the Produce Department.

R-27
one-third
(or 1 out of 3)

S-28 We have seen that:

- Only ________________ (WHAT PORTION?) of every 100 shoppers entering the store buy from the Produce Department.
- Almost ____________ (WHAT PORTION?) of the shoppers notice little difference among the Produce Departments of different supermarkets.
- Only ______________ (WHAT PORTION?) of the shoppers consider the Produce Department an important factor in their choice of a store to patronize.

The conclusion would seem to be that many stores could do a better job in the department and realize the high potential the department offers.

R-28
about half (or 56)
half (or 41%)
one-third

S-29 A store's Produce Department must provide items of a consistent high quality week after week in order to realize the high ________________ the department offers, because customers don't have the wide range of familiar brands to choose from as in other departments (except the Meat Department).

R-29
potential

S-30 In most other departments of the supermarket, customers can choose from a wide range of familiar brands. However, this is not the case in the Produce Department, where most items are "unbranded". Thus, customers must rely on the store to provide produce items of a consistent ________ ____________________ week after week.

R-30
high quality

S-31 Shoppers in the Produce Department need to be sure that they are making worthwhile purchases. Since they don't have the wide range of ____________ ____________ to choose from, they therefore rely on the store to provide produce items of a consistent ____________ ____________.

R-31
familiar brands
high quality

S-32 The Produce Department must offer products of consistent high quality because customers have neither the wide range of ____________ ____________ to choose from as in other departments nor a knowledge of the standards of quality to guide them in selecting produce.

R-32
familiar brands

S-33 When buying produce, shoppers cannot be sure of the quality of the items because they don't have the same wide range of familiar brands from which to choose nor a knowledge of the ____________ of ____________ to guide their choice.

R-33
standards (of)
quality

S-34 Shoppers in the Produce Department rely heavily on the store to provide produce of consistent ________ ____________ week after week.

R-34
high quality

S-35 A store can develop loyal customers by providing produce of a consistent high quality, since shoppers do not have the wide range of ____________ ____________ from which to choose, nor the knowledge of the ____________ of ____________ to always make a good choice in buying produce.

R-35
familiar brands
standards (of)
quality

S-36 Besides providing produce of a consistent _______ _____________, effective merchandising must also be employed in the Produce Department in order to develop loyal customers and obtain maximum sales and profits from the department.

R-36
high quality

ELEMENTS OF EFFECTIVE PRODUCE MERCHANDISING

S-37 The main elements of effective __________________ for produce are: realistic pricing, proper packaging, attractive display, and aggressive promotion.

R-37
merchandising

1. The Pricing of Produce

S-38 Not only do customers expect a store to provide produce of consistent _______ ________________, they also expect the items in the department to be realistically priced. For one thing, they expect the prices of produce items to decline during peak seasons.

R-38
high quality

S-39 Produce is extremely seasonal, and the prices of produce items are largely dependent on supply and demand. Thus, shoppers generally expect prices to *(rise ... decline)* during the peak season. Strange to say, though, many shoppers seem surprised when prices rise as the availability of quality produce declines in the off season.

R-39
decline

S-40 Shoppers expect prices to decline when produce is plentiful during the ________ _____________. However, many shoppers don't realize that prices inevitably rise when produce is scarce during the _______ ________________, and so they often refuse to buy.

R-40
peak season
off season

S-41 Since produce prices are largely dependent on supply and demand, prices usually ____________ during the peak season and ________ during the off season. Thus, it is important that produce be realistically priced, particularly during the off season when many customers' reluctance to buy may cause excessive spoilage.

R-41
decline
rise

S-42 Most shoppers are willing to pay for top quality products. However, products that are less than top quality (sometimes the only available products during the off season) should be realistically __________ to motivate shoppers to accept the lower quality until the seasonal flow of quality products begins again.

R-42
priced

S-43 One element of effective merchandising in the Produce Department is that items be ____________ ________, both during the _______ season when produce is plentifuly and during the _____ season when it is scarce. Another element of effective merchandising in the department is proper packaging.

R-43
realistically priced
peak
off

2. The Packaging of Produce

S-44 For pre-packaged produce items, proper __________________ means:

- Providing good product visibility.
- Labeling the product.
- Maintaining the package in good condition.

R-44 packaging	S-45	When produce items are pre-packaged, the use of transparent film permits the customer to see the product before she buys it. In other words, transparent film provides good product __________________ .
R-45 visibility	S-46	Proper packaging of produce is an element of effective merchandising, and the use of transparent film in packaging is a way to provide good ______________ ____________________ so that customers can see what they are buying.
R-46 product visibility	S-47	The use of transparent __________ in packaging produce permits good product ________________ and helps customers make the right selection when buying produce.
R-47 film visibility	S-48	When using ___________________ ____________ for pre-packaged produce, it is important to position the items so the surfaces visible to the shopper are representative of the contents of the entire package.
R-48 transparent film	S-49	Some produce items are wrapped with a cardboard backing or tray which prevents complete inspection of the package contents. Therefore, preparation room personnel must take special care to ensure that the visible surfaces are ____________________ of the contents of the entire package.
R-49 representative	S-50	One factor in the packaging of produce is good product __________________, making sure that surfaces open to view are ________________ _____ ________ _________________ of the entire package. Another is the labels of the packages.

R-50 visibility representative of the contents	S-51	The labels on pre-packaged produce should tell customers what they are buying and how much they are spending. The weight, the price per pound, the retail price, and the store name should appear on the __________ of each package.
R-51 label	S-52	Besides the weight, the price per pound, the retail price, and the store name, the __________ on a package of produce might also contain some selling phrase or reason to buy.
R-52 label	S-53	The label used on pre-packaged produce can serve a dual purpose. It should include the weight, the price per pound, the retail price and the store name. It can also act as a merchandising tool if it contains some selling phrase or ______________ ________ __________. (Of course, two separate labels could be used or pre-printed plastic bags for high-demand items such as lettuce and apples.)
R-53 reason to buy	S-54	"Fresh Daily" for lettuce, "Today's Special" for a featured item, and "From Farm to You" for green beans or corn -- these are some examples of a ______________ ______________ or ______________ ________ __________ that can be included on the label of a pre-packaged produce item or on the pre-printed plastic bag containing the item.
R-54 selling phrase reason to buy	S-55	The labels on pre-packaged produce can serve as effective merchandising tools if they contain some ______________ ______________ or reason to buy.
R-55 selling phrase	S-56	Good product ________________ and the ____________ on the package are important in pre-packaged produce. The condition of the packages is also important.

R-56
visibility
label

S-57 Many customers are reluctant to buy a package of produce that has a shabby appearance resulting from moisture or repeated customer handling. In short, the salability of the item depends to a large extent on the ______________ of the package.

R-57
condition

S-58 A shabby package gives the appearance that the item has been in the display case for a long period of time and that the quality has deteriorated. In other words, the ________________ of the item has been reduced because of the poor ____________ of the package.

R-58
salability
condition

S-59 Proper packaging, an element of effective produce merchandising, includes:

- Good product ________________.
- The ____________ on the packages.
- The ______________ of the packages.

Another element of effective produce merchandising is the attractive display of items in the Produce Department.

R-59
visibility
label
condition

3. The Display of Produce

S-60 Produce items are generally the most colorful items in the store on a year-round basis and thus should be attractively ______________ in the display cases.

R-60
displayed

S-61 Two popular principles of arranging produce items in the ______________ cases are to lay out the department:

- By use.
- By color contrast.

R-61 display	S-62	If all of the salad items in a Produce Department (for example: Lettuce, Radishes, Cucumbers, etc.) are grouped together in the ______________ __________, we could say that the display cases were laid out by use.
R-62 display cases	S-63	The five major categories of produce items are: • Staple vegetables -- potatoes, onions, etc. • Cooking vegetables -- corn, peas, beans, beets, etc. • Salad items -- lettuce, cabbage, tomatoes, etc. • Staple fruits -- apples, oranges, bananas, etc. • Seasonal fruits -- melons, peaches, grapes, etc. A Produce Department where items are grouped in sections according to these categories is said to be laid out by _______.
R-63 use	S-64	If all of the cooking vegetables (for example: Beans, Peas, Turnips, Beets, etc.) were grouped together in the display cases, the Produce Department would be laid out by _______.
R-64 use	S-65	Besides grouping produce in the display cases by _______, the items within each section should be laid out by color contrast.
R-65 use	S-66	Produce items are the most colorful items in the supermarket. Therefore, it would be advantageous to display items by ___________ contrast.

R-66 color	S-67	In recent store tests, it was determined that over half of the people buying produce items bought on impulse. Therefore, attractive display of produce items by ____________ ____________ would seem to be an effective means of merchandising.
R-67 color contrast	S-68	If Apples, Bananas, Oranges, Plums, Peaches, and Cherries were arranged side by side in the display cases, the shoppers would be exposed to a section laid out by ____________ ____________.
R-68 color contrast	S-69	Since ____________ (WHAT PORTION?) of the shoppers buying produce items buy on impulse, it seems likely that a layout of the display cases using color contrast would stimulate more produce sales.
R-69 over half	S-70	Two main principles of laying out the Produce Department are to arrange items in the display cases: • By __________. • By ____________ ____________. In addition, high-demand items should be scattered throughout the department.
R-70 use color contrast	S-71	As we saw in Section I, six items account for roughly half the total dollar sales in the Produce Department -- Bananas, Apples, Oranges, Tomatoes, Potatoes, and Lettuce. These six high-demand items should be *(grouped together ... scattered throughout the department)*.
R-71 scattered throughout the department	S-72	Bananas, Apples, Oranges, Tomatoes, Potatoes, and Lettuce are the six __________-__________ items in the Produce Department. These items should be scattered throughout the department to encourage more extensive shopping of the department.

R-72 high-demand	S-73	The six high-demand items which account for roughly __________ (WHAT PORTION?) of the Produce Department's total dollar sales should be ________________ throughout the department. Semi-demand and impulse items should be displayed on both sides of each high-demand item to expose shoppers to more of these high-margin items.
R-73 half scattered	S-74	Within the Produce Department, the six ________-____________ items should be scattered throughout the department with the semi-demand and impulse items on both sides of them.
R-74 high-demand	S-75	Over half of the people buying produce buy on impulse. As a result, many successful store operators recommend displaying semi-demand and impulse items on both sides of the six _________-_____________ items to stimulate impulse sales. Many operators also recommend spreading seasonal items throughout the department.
R-75 high-demand	S-76	As we saw, about half the shoppers buying produce items buy on impulse. Thus, it would be advantageous to spread seasonal items throughout the entire department, to expose shoppers to more items and thus stimulate _____________ buying.
R-76 impulse	S-77	Strawberries are one of the _______________ items that could be positioned throughout the department.
R-77 seasonal	S-78	In the Produce Department, Pumpkins, Strawberries, Peaches, Cranberries, Cherries, and Tangerines are a few _______________ ___________ that could be positioned throughout the display cases to stimulate impulse sales.

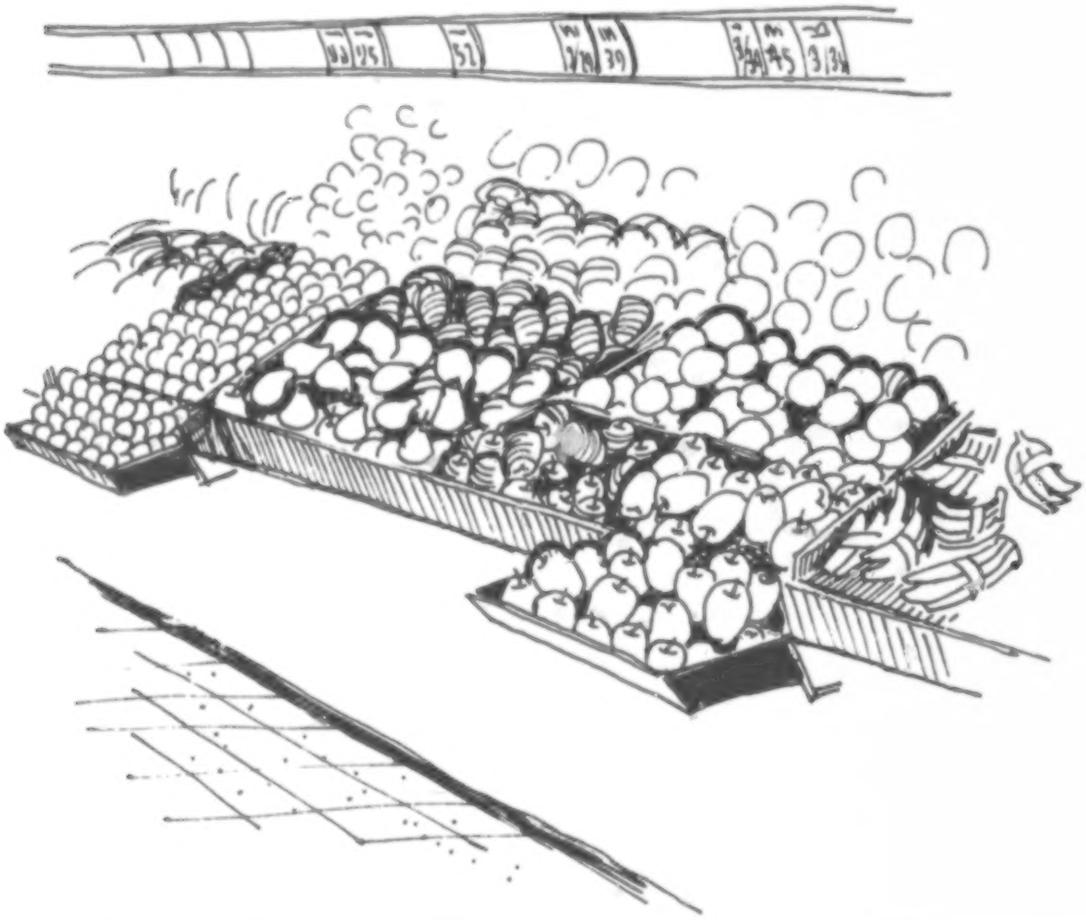
R-78 seasonal items	S-79	Besides positioning __________ __________ throughout the department, many successful produce operators also recommend periodically relocating items within the department to stimulate more __________ buying.
R-79 seasonal items impulse	S-80	In the store tests mentioned earlier, about half of the shoppers entering the store bought at least one item from the Produce Department. About half of these buying customers bought on impulse. Therefore, successful produce operators recommend periodically __________ items within the department to stimulate impulse sales.
R-80 relocating	S-81	(TRUE or FALSE) Periodically relocating items within the department should help to increase impulse sales. __________.
R-81 True	S-82	An effective way of stimulating impulse buying and adding interest to the Produce Department is to __________ __________ items within the department.
R-82 periodically relocate	S-83	We have now seen three of the elements of effective merchandising in the Produce Department: • Realistic __________. • Proper __________. • Attractive __________. A fourth element is aggressive promotion.

4. The Promotion of Produce

R-83 pricing packaging display	S-84	Aggressive promotion is one of the elements of effective ____________ in the Produce Department. Special displays of feature items are an important type of promotion in the department.
R-84 merchandising	S-85	Items which are promoted in any given week are referred to as ____________ items. These are often seasonal items (such as Pumpkin and Cranberries at Thanksgiving) and are usually on ____________ display.
R-85 feature special	S-86	Feature items (which may or may not be seasonal items) are usually on special ____________.
R-86 display	S-87	Feature items on ____________ ____________ should be properly positioned to create maximum interest. If a special display of a feature item were placed at the far end of the Produce Department to draw the customers through the entire department, we could say that the special display was properly ____________.
R-87 special display positioned	S-88	It is good merchandising for feature displays to be ____________ ____________ to draw the shoppers through the entire department.
R-88 properly positioned	S-89	In a single aisle Produce Department, feature items on ____________ ____________ are usually positioned either at the end of the department or throughout the department in the form of extension displays.

R-89
special display

S-90 Extension displays are, as the name suggests, __________________ of the display cases that can be positioned on alternate sides of the single aisle to stimulate interest and draw the customers through the entire department.



R-90
extensions

S-91 Special displays at the end of the single aisle layout and ________________ ________________ positioned on alternate sides of the aisle are examples of displays properly ________________ to draw customers through the entire department.

R-91
extension displays
positioned

S-92 Although a special display must be ______________ ________________ to draw shoppers through the entire department, it must also be visually highlighted to let the shoppers know that it IS a feature or special sale item.

R-92
properly positioned

S-93 Merchandising materials (such as signs, banners, posters, display cards, shelf strips, and pennants) could all be used to ________________ highlight a special display.

R-93
visually

S-94 For maximum effectiveness, special displays of feature items must be properly positioned and ________________ ____________________. The displays must also be full and inviting at all times.

R-94
visually highlighted

S-95 A display must be __________ and inviting if its maximum value is to be realized.

R-95
full

S-96 A half-filled special display, or one filled with bruised or poorly packaged feature items, would provide a big letdown for customers and could hardly be classified as a full and _______________ display.

R-96
inviting

S-97 Special displays of feature items, in addition to being properly __________________ and visually highlighted with promotional materials, should be ___________ and _______________ to attain maximum sales.

R-97
positioned
full (and) inviting

S-98 The aggressive promotion of produce items includes the use of special displays of _______________ ____________ (which may be seasonal items such as Pumpkins for Halloween or Cranberries for Thanksgiving). Tie-in promotions with items from other departments are another type of promotion in the Produce Department.

R-98
feature items

S-99 The use of ________-______ promotions in the Produce Department are extremely effective, since about _____ (HOW MANY?) out of every 100 shoppers entering the store pass the Produce Department.

R-99
tie-in
90

S-100 Cabbage and Ham, Green Peppers and Ground Beef, Lettuce and Luncheon Meats, Turkey and Cranberries, Yams and Pork, and Liver and Onions -- all are examples of possible ________-______ __________________ between the Produce Department and the Meat Department.

R-100
tie-in promotions

S-101 Cereal and Fruit, Cheese and Cauliflower, and Cottage Cheese and Tomatoes are other examples of possible ________-______ promotions.

R-101
tie-in

S-102 As we've seen, the key elements of effective merchandising in the Produce Department are:

- Realistic ______________.
- Proper ______________.
- Attractive ______________.
- Aggressive ______________.

Now that we have seen the elements of effective produce merchandising, let's look at the major problems in the Produce Department.

R-102
pricing
packaging
display
promotion

MAJOR PROBLEMS IN THE PRODUCE DEPARTMENT

S-103 Shrinkage, spoilage, and damaged goods, are the major ______________ in the Produce Department. Shrinkage is the reduction in size and weight due to loss of moisture.

R-103 problems		1. Shrinkage
	S-104	The reduction in size and weight of produce due to loss of moisture is known as __________________.
R-104 shrinkage	S-105	Produce loses moisture to the surrounding air whenever the air is less saturated than the produce. This loss of moisture from produce to the surrounding air is known as ________________. For example, most fruits contain 80% to 95% water and when the water content of air is somewhat less than 80% to 95%, a loss in moisture from the fruit to the surrounding air occurs.
R-105 shrinkage	S-106	When the water content of the air is less than that of the produce items, a loss of moisture from the produce to the surrounding _______ occurs, resulting in ________________ of the items.
R-106 air shrinkage	S-107	The loss of water to the surrounding air, commonly known as ________________, can be reduced by maintaining proper temperature and humidity.
R-107 shrinkage	S-108	Storing and displaying produce at the proper temperature and ________________ will reduce the moisture loss that occurs in produce items.
R-108 humidity	S-109	High temperature causes many produce items to sweat; if the air is less saturated than the normal water content of the items, the rate of shrinkage is extremely fast. Thus, it's important to store and display produce at the proper ___________________ and ________________.

R-109 temperature (and) humidity	S-110	When produce is put on display, it is possible to provide proper temperature with refrigerated display cases, but it's difficult to control the ________________ of the surrounding air with the same equipment. Usually, the best solution is to periodically sprinkle the produce with water.
R-110 humidity	S-111	The moisture content of certain produce items must be kept relatively high to reduce shrinkage. This can be done by having Produce Department personnel periodically ______________ the items with water.
R-111 sprinkle	S-112	Storing and displaying produce at the proper __________________ and _______________ reduces ________________ considerably. However, spoilage is another problem altogether.
R-112 temperature (and) humidity shrinkage	 S-113	2. Spoilage Whereas shrinkage is due to a loss of ____________ from produce items to the surrounding air, spoilage is the loss of life in produce items.
R-113 moisture	S-114	All fresh produce items are alive and breathing. In fact, they breathe (or respire) much like human beings. The loss of life in produce items is commonly known as _______________.
R-114 spoilage	S-115	Some fruits and vegetables ______________ (or respire) faster than others causing the life process to be much faster. Therefore, spoilage *(would ... would not)* occur more rapidly in these products. Some of these products are: Peas, Berries, Corn and Peaches.

R-115 breathe would	S-116	Bruising causes many produce items to breathe (or ______________) at a faster rate. Thus, the loss of life or spoilage is more rapid in produce that has been bruised.
R-116 respire	S-117	The loss of life in produce is called ______________. To slow the life-losing process, proper temperature and careful handling are essential.
R-117 spoilage	S-118	Proper temperature slows down the ___________ of ___________ in produce items because it lowers the respiration or breathing rate of the produce. Careful handling does too because it prevents ______________ which speeds the respiration or breathing rate.
R-118 loss (of) life bruising	S-119	The respiration or breathing rate of produce items is slowed down if items are kept at the proper ____________________ and if they receive careful ________________ to prevent bruising.
R-119 temperature handling	S-120	A quickened respiration or breathing rate means a rapid life-losing process for produce items. Proper ____________________ and careful ________________ help prolong the life of produce items. Even so, effective stock rotation procedures are essential, since most produce items have a relatively short case life.
R-120 temperature handling	S-121	It is essential that the products on display in the Produce Department are fresh. Knowing the case life of produce items will help weed out the dying items during the stock ________________ operation.

R-121
rotation

S-122 The case life of produce items vary somewhat. However, assuming the proper temperature and humidity are maintained, the ________ ________ of the six items which account for about half the total dollar sales in the department are:

- Potatoes and Oranges -- 4 days
- Apples and Tomatoes -- 3 days
- Bananas -- 2 days
- Lettuce -- 1 day

These figures take into consideration the fact that the customer might keep the produce items a few days before using them.

R-122
case life

S-123 Two of the top six selling produce items in the department have a case life of about 4 days. They are: ________________ and ________________.

R-123
Potatoes and Oranges

S-124 Potatoes and Oranges have a case life of ______ days, whereas Apples and Tomatoes have a case life of about 3 days.

R-124
4 (days)

S-125 The produce items with the following case lives are:

- ________________ - 4 days.
- ________________ - 4 days.
- ________________ - 3 days.
- ________________ - 3 days.

R-125
Potatoes
Oranges
Apples
Tomatoes

S-126 Bananas have a case life of 2 days, compared to ______ days for Potatoes and Oranges, and ______ days for Apples and Tomatoes.

R-126 4 (days) 3 (days)	S-127 Bananas have a case life of ______ days. Lettuce has an even shorter case life, 1 day.
R-127 2 (days)	S-128 A case life of 2 days for ________________ and 1 day for ______________ means that the turnover should be very rapid for these items. Otherwise, profits will suffer due to spoilage or markdowns (reduced prices) on goods of decreasing quality.
R-128 Bananas Lettuce	S-129 The _________ __________ of produce items can be checked by referring to the code date on pre-packaged items during the stock rotation operation.
R-129 case life	S-130 Different stores have different systems of code-dating produce items. An example of one system of ________ - ________________ produce items is: • A for Monday. • B for Tuesday. • C for Wednesday. • D for Thursday. • E for Friday. • F for Saturday.
R-130 code-dating	S-131 The freshness of produce items can be determined by referring to the code dates on the packages. However, spoiled goods and damaged goods should be removed from the display case regardless of the ________ ________ on the item during the stock rotation operation.

R-131 code dates	S-132	The freshness of a produce item can be checked by referring to the ________ ________ on the items or packages during the stock ________ operation.
R-132 code date rotation	S-133	Checking the freshness of produce items during the ________ ________ operation ensures that the customer will be satisfied by getting quality produce the year round.
R-133 stock rotation	S-134	To recap the two major problems we've seen thus far for the Produce Department: temperature and humidity control plays an important part in reducing ________ by preventing a loss of moisture; and proper temperature and careful handling play an important part in reducing ________ by slowing the respiration or breathing rate of produce items and thus prolonging life. The third major problem in the Produce Department is that of damaged goods.
R-134 shrinkage spoilage		3. Damaged Goods
	S-135	In effect, every time that produce items are handled, they lose part of their life. Dropping produce items, stacking them too high, and rough handling of produce shipping cases are just three ways of causing ________ goods.
R-135 damaged	S-136	Bruised and punctured produce items (________ goods) have a rapid loss of life. Bruises and punctures can be minimized by careful handling of all produce.

R-136
damaged

S-137 Damage to produce can be avoided or controlled by ____________ ______________. (However, it is difficult to prevent damage resulting from customer handling or handling prior to reaching the store.)

R-137
careful handling

S-138 Thus far, we have touched on three major problems in the Produce Department:

- ______________ resulting from loss of moisture to the drier surrounding air.
- ______________ resulting in the loss of life of produce items.
- ____________ __________ due mostly to improper handling of produce items.

Another is the problem of weighing errors due to carelessness or faulty scales.

R-138
Shrinkage
Spoilage
Damaged goods

4. Weighing Errors

S-139 Weighing errors due to carelessness or faulty __________ can eat up profits quickly. For example, a one ounce error (too low) in weighing peaches costing 32¢/lb. would amount to a loss of $2.00 per 100 pounds sold.

- $\frac{32¢}{16 \text{ oz.}} = 2¢/\text{oz.}$
- 100 lbs. weighed with a 1 oz. weighing error = 100 ozs.
- 100 ozs. x 2¢ = $2.00.

R-139
scales

S-140 Faulty scales and ________________ result in ____________ errors which can be quite costly over a period of time.

R-140
carelessness
weighing

S-141 Compute the cost of the weighing errors in the following sample situation:

- A 1/2 oz. per lb. error (too low)
- Retail price 16¢ per lb.

The total loss per 1,000 pounds weighed would be $__________.

R-141
$5.00

S-142 Faulty scales or carelessness result in ________________ ______________ which can be quite costly over a period of time.

R-142
weighing errors

END OF SECTION II

III. OPERATIONS OF THE PRODUCE DEPARTMENT

As was the case in the Meat Department, a good portion of the shoppers entering the supermarket pass the Produce Department. The average shopper passing this department has grown accustomed to a continuous supply of fresh produce no matter what the season or the weather. The fact that fresh, quality produce is available requires considerable behind-the-scenes planning. The first such planning step concerns the buying function.

ORDERING OF PRODUCE

Produce items can be bought either at the central-market or local-market produce terminals located in key transportation centers, or through a wholesaler or a broker who had already bought from such a terminal. In certain sections of the country, it is possible to buy some items direct from the farms or from farmers' co-op groups. Some large central buying organizations buy direct and ship to their member stores from their own centrally-located terminals.

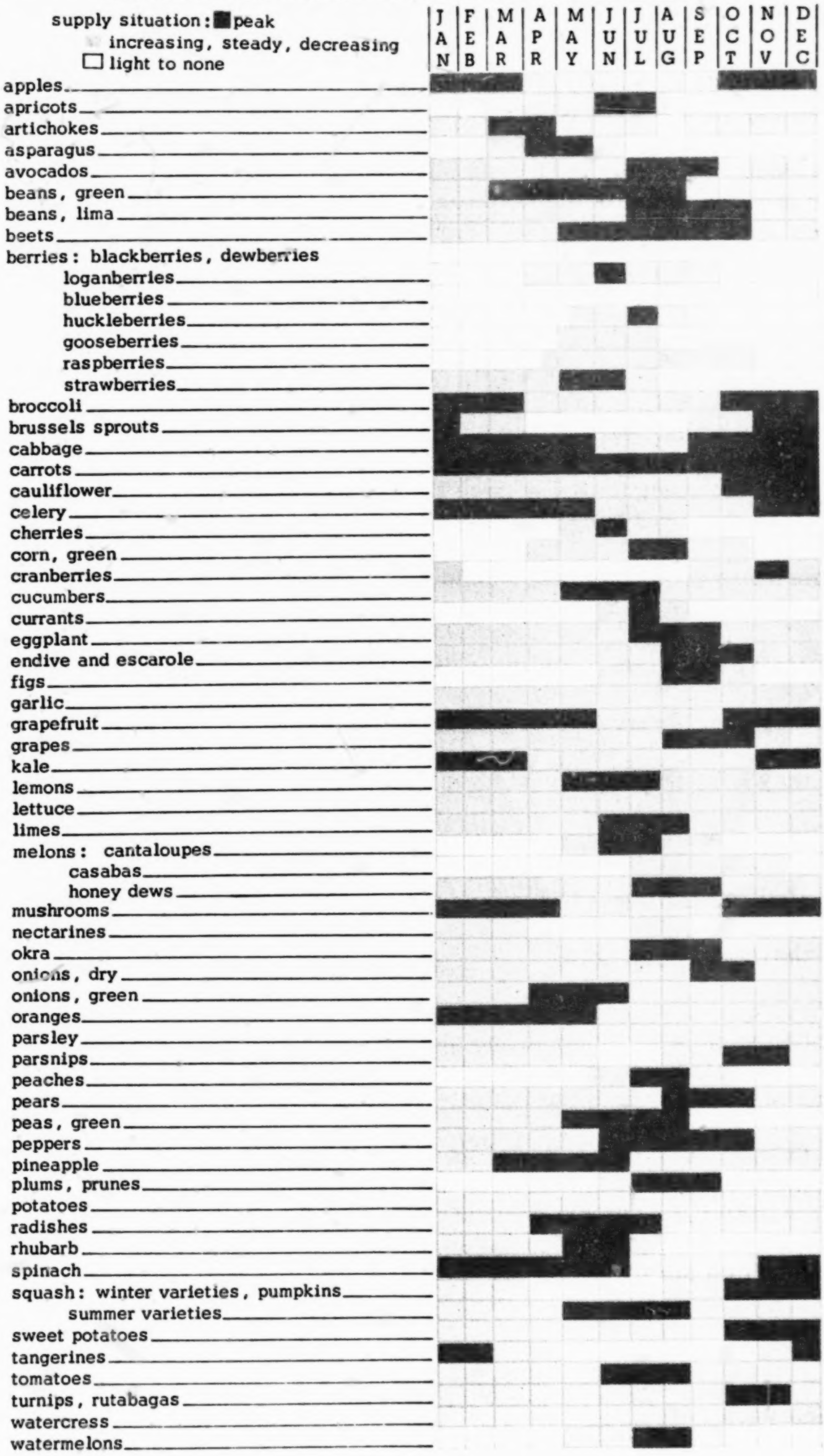
Here are some questions that should be considered concerning sources of supply for produce items.

- Are they capable of providing a full line of fresh fruits and vegetables?
- Do they provide produce of consistent high quality?
- Do they keep the buyer posted on vital price and supply information?
- Do they guarantee sound arrival of the produce?
- Are their prices competitive?
- Do they deliver on time?

The above questions are extremely important, since no other department is subject to such price fluctuations and variations in product availability from day-to-day and during the year. A good source of supply will help the Produce Manager smooth the peaks and valleys of supply and demand.

The seasonal availability of produce items is indicated in the chart on the next page. This chart should give some indication of the planning that must go into satisfying customer demand for produce items with relatively short seasons -- for example, fresh Asparagus and Strawberries vs. Carrots and Potatoes which are available all year long.

SEASONS FOR FRESH FRUITS AND VEGETABLES



supply situation: ■ peak
▨ increasing, steady, decreasing
☐ light to none

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
apples	■	■	■							■	■	■
apricots						■	■					
artichokes			■	■								
asparagus				■	■							
avocados							■	■	■			
beans, green			■	■	■	■	■	■				
beans, lima							■	■	■	■		
beets					■	■	■	■	■	■		
berries: blackberries, dewberries												
loganberries						■						
blueberries												
huckleberries							■					
gooseberries												
raspberries												
strawberries					■	■						
broccoli	■	■	■							■	■	■
brussels sprouts	■										■	■
cabbage	■	■	■	■	■				■	■	■	■
carrots	■	■	■	■	■	■	■	■	■	■	■	■
cauliflower										■	■	■
celery	■	■	■	■	■						■	■
cherries						■						
corn, green							■	■				
cranberries											■	
cucumbers					■	■	■					
currants							■					
eggplant							■	■	■			
endive and escarole								■	■	■		
figs								■	■			
garlic												
grapefruit	■	■	■	■	■					■	■	■
grapes								■	■	■		
kale	■	■	■								■	■
lemons					■	■	■					
lettuce												
limes						■	■	■				
melons: cantaloupes						■	■					
casabas												
honey dews							■	■	■			
mushrooms	■	■	■	■						■	■	■
nectarines												
okra							■	■	■			
onions, dry									■	■		
onions, green				■	■	■						
oranges	■	■	■	■	■							
parsley												
parsnips										■	■	
peaches							■	■				
pears								■	■	■		
peas, green					■	■	■	■				
peppers						■	■	■	■	■		
pineapple			■	■	■	■						
plums, prunes							■	■	■			
potatoes												
radishes				■	■	■	■					
rhubarb					■	■						
spinach	■	■	■	■	■	■					■	■
squash: winter varieties, pumpkins										■	■	■
summer varieties					■	■	■	■				
sweet potatoes										■	■	■
tangerines	■	■										■
tomatoes						■	■	■				
turnips, rutabagas										■	■	
watercress												
watermelons							■	■				

RECEIVING, HANDLING, AND STORING PRODUCE

Receiving, handling, and storing produce items is a continuous process due to the rapid turnover in this department. Therefore, it is important that these operations run smoothly at all times.

As in every other operation, a smooth-running Produce Department requires advance planning and preparation. Some preparatory steps that should be taken before the arrival of the produce items include:

- The carryover (older) merchandise should be code-dated and consolidated in one corner of the cooler and dry storage area.
- The containers from previous deliveries that must be returned to the suppliers should be stacked and placed near the receiving door.
- All handling equipment (stock carts, pallets, conveyor, case opening tools, etc.) should be made ready before the delivery truck is scheduled to arrive at the store.

The object of a good receiving operation in the Produce Department is to effect a smooth and rapid transfer of produce items from the supplier's truck to the store, thus minimizing the loss of life and quality of produce items being transported. This is essential to ensure that the items will reach shoppers in the finest possible condition. The proper receipt of produce is the first step in maintaining quality within the department. Some commonly-accepted receiving procedures are:

- Check the shipping ticket to see that it corresponds with the order actually placed.
- Proceed with unloading. In unloading, speed is essential to reduce exposure of fruits and vegetables to the drying air.
- Separate the items that go into the cooler from those that go into dry storage.
- Count each crate or case that comes off the truck.
- Move items to be stored directly to the cooler or the dry storage area.
- Check the tally of items received against the shipping ticket.

A properly-laid-out backroom will greatly speed the movement of produce from the supplier's truck to the cooler and dry storage area, and minimize the loss of life and quality of produce items. Some points that should be considered about the layout of the backroom are:

- Backroom floor should be level with cooler floor to facilitate handling and minimize accidents.
- Passageways and doors should be wide enough to admit rolling equipment.
- Receiving dock should be at truck bed level.

Obviously, not all items are going to be put on the selling floor when they reach the store. Those items that are not immediately prepared for sale must be stored until needed either in a cooler or a dry storage area in the backroom.

The objective of storing is to provide an inventory of quality merchandise to replace produce items as they are bought by the shoppers. It is especially important to maintain the quality of the items stored so that all customers have an equal opportunity to purchase quality merchandise.

When needed, items to be prepared for sale proceed from the cooler or the dry storage area to the workroom or preparation room.

As in the Meat Department, the Produce workroom is a small manufacturing operation within the store. It is here that the raw materials are transformed into finished products ready for purchase by the shoppers. The extremely high turnover of products in the Produce Department makes it imperative that this manufacturing operation run smoothly. The proper layout of the preparation room is the first step in ensuring a smooth flow:

- Produce workroom or preparation room should be in a separate section of the backroom to minimize sanitation and temperature problems.
- Trimming stations in the preparation room should be near the cooler to reduce travel.
- Packaging stations should be convenient to trimming stations.

The preparation room layout in Diagram A is for a large Produce Department selling pre-packaged items; for a smaller department, one packaging station or a combination packaging-weighing-labeling station might suffice. (SEE DIAGRAM A)

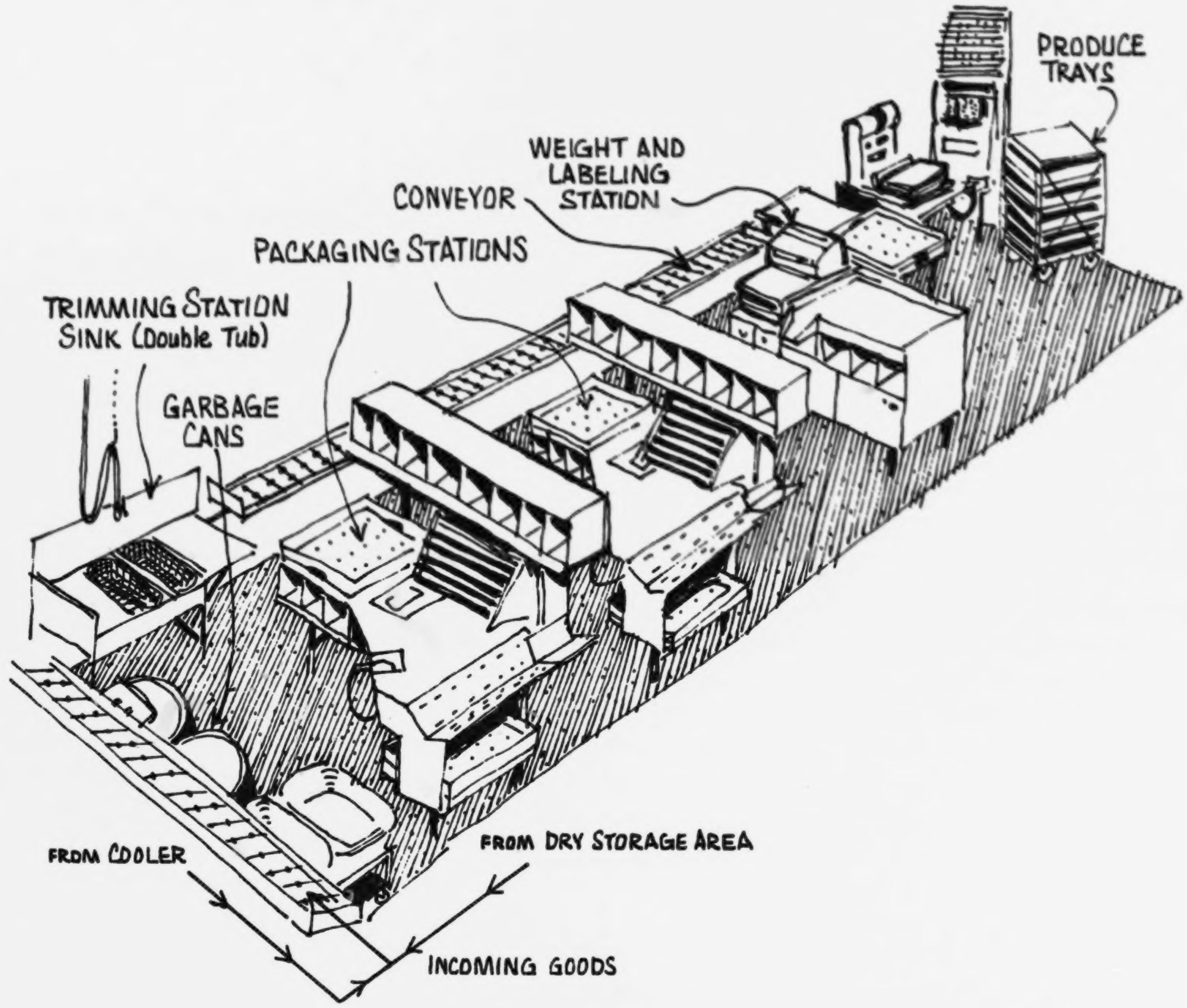

PRODUCE TRAYS
WEIGHT AND LABELING STATION
CONVEYOR
PACKAGING STATIONS
TRIMMING STATION SINK (Double Tub)
GARBAGE CANS
FROM COOLER
FROM DRY STORAGE AREA
INCOMING GOODS

DIAGRAM A

Although haste is essential in all phases of the receiving, handling, and storing operation, it is important to recognize that rough handling can result in bruised or punctured produce items which speed spoilage of the items and affect their appearance.

The following are some handling procedures that might be followed in the Produce Department to maintain the quality and appearance of items:

- Stack crates of produce on their sides to allow for circulation of air (which should be at the right temperature and humidity).
- Inspect all fruits and vegetables on arrival, sorting out all damaged and discolored items.
- Trim off all unsightly bruised or decayed portions of the items.
- Handle all produce items carefully to avoid bruising or mashing.
- Freshen produce by washing it and by periodically sprinkling it.
- Avoid placing produce in direct sunlight or in subfreezing temperatures.
- Rotate produce regularly using the first-in first-out method.
- Reduce prices promptly on produce that is beginning to lose freshness, to effect a rapid sale.

The quality of produce can be maintained by providing the proper temperature and humidity in the storage areas and in the display cases. The chart on the following page shows the temperature and humidity requirements for the normal display cases and for storage areas, plus some tips on caring for produce items in the normal display cases.

If the buying, receiving, handling and storing functions are running smoothly and coordinated in this fast-moving department, a continuous flow of fresh, quality produce will be available to the shoppers.

PRODUCT INFORMATION

Generally, produce items are not brand-name items. As a result, the shopper's chore is a little more difficult and time-consuming than when she's shopping for brand-name canned goods in the Grocery Department, for example. She will therefore rely on Produce Department personnel to supply information on quality, preparation, varieties, and storage tips for at least the most popular produce items.

HANDLING AND CARE OF FRESH FRUITS AND VEGETABLES

	RETAIL			STORAGE	
Commodity	Cooler 37° F.	Back Room 55° F.	Special Notes	Holding Temperature F.	Approx. Holding Life
FRUITS					
APPLES:					
Delicious	x		Handle carefully	30 – 32°	4-5 months
Golden Delicious	x		to prevent bruising	30 – 32°	3-4 months
Jonathan	x		-- refrigerate on display	30 – 32°	2-3 months
McIntosh	x		when possible.	30 – 32°	2-3 months
Rome	x			30 – 32°	4-5 months
Winesap	x			30 – 32°	5-7 months
APRICOTS	x			31 – 32°	1-2 weeks
AVOCADOS	Only if full ripe	x	Ripen at 60 – 70°		
			Display on pads	45 – 55°	4 weeks
BANANAS		x	Ripen at 60 – 70		breaking: 2-5 days;
			Display on pads	55°	yellow: 1-2 days
BLACKBERRIES	x		Keep ventilated	31 – 32°	7 days
BLUEBERRIES	x		Keep ventilated	31 – 32°	3-6 weeks
CHERRIES	x		Keep ventilated	31 – 32°	10-14 days
COCONUTS	x		Prevent drying	32 – 35°	1-2 months
CRANBERRIES	x			36 – 40°	1-3 months
FIGS	x			28 – 32°	5-7 days
GOOSEBERRIES	x			31 – 32°	3-4 weeks
GRAPEFRUIT		x		45 – 50°	4-8 weeks
GRAPES:					
Emperor, Ribier	x		Keep ventilated	30 – 31°	3-5 months
Malaga	x		Keep ventilated	30 – 31°	2-3 months
Thompson seedless	x		Keep ventilated	30 – 31°	1-2½ months
Tokay, Muscat	x		Keep ventilated	30 – 31°	1-2½ months
Concord	x		Keep ventilated	31 – 32°	4-7 weeks
KUMQUATS	x			32 – 35°	6-8 weeks
LEMONS		x		50 – 55°	1-4 months
LIMES		x		48 – 50°	6-8 weeks
LOGANBERRIES	x		Keep ventilated	31 – 32°	7 days
MANGOES		x		50 – 55°	2-3 weeks
MINT	x		Sprinkle	32 – 35°	5-7 days
MELONS:					
Cantaloupe, Persian	If full ripe	x		40 – 45°	1-2 weeks
Honeydew, Crenshaw	If full ripe	x		45 – 50°	2-4 weeks
Casaba	If full ripe	x		45 – 50°	4-6 weeks
Watermelon	If full ripe	x		36 – 40°	2-3 weeks
NECTARINES	x			32 – 35°	1-4 weeks
ORANGES	x			32 – 34°	8-12 weeks
PAPAYAS		x		45 – 50°	2-3 weeks
PEACHES	x		Ripen at 60 – 70°	31 – 32o	2-4 weeks
PEARS:					
Bartlett, Comice	If full ripe		Ripen at 60 – 70°	29 – 31°	1½ to 3 months
Anjou, Nelis	If full ripe		Ripen at 60 – 70°	29 – 31°	5-7 months
PERSIMMONS	If full ripe	x	Ripen at 60 – 70°	30 – 33°	2 months
PINEAPPLE:					
Mature Green		x	Ripen at 60 – 70°	50 – 60°	3-4 weeks
Ripe	x			40 – 45°	2-4 weeks
PLUMS, PRUNES	x			31 – 32°	3-4 weeks
POMEGRANATES	x			34 – 35°	2-4 months
RASPBERRIES	x		Keep ventilated	31 – 32°	7 days
STRAWBERRIES	x		Keep ventilated	31 – 32°	7-10 days
TANGERINES	x			31 – 38°	3-4 weeks
TANGELOS	x			32 – 35°	3-5 weeks
VEGETABLES					
ARTICHOKE					
Globe	x		Sprinkle lightly	31 – 32°	1-2 weeks
Jerusalem	x		Sprinkle	31 – 32°	2-5 months
ASPARAGUS	x			32 – 35°	3-4 weeks
BEANS					
Green, Wax, Snap		x	Sprinkle lightly	45 – 47°	8-10 days
Lima	x		Sprinkle	32 – 40°	10-15 days
BEETS					
Bunch	x		Sprinkle	32 – 35°	10-14 days
Topped	x		Sprinkle	32 – 35°	1-3 months
Greens	x		Sprinkle	32 – 35°	10-12 days
BROCCOLI	x		Sprinkle	32°	7-10 days
BRUSSEL SPROUTS	x		Sprinkle	32°	3-4 months
CABBAGE	x		Sprinkle	32°	3-4 months
CARROTS					
Bunch	x		Sprinkle	32°	10-14 days
Packaged	x			32°	3-4 weeks
Topped	x		Sprinkle	32°	4-5 weeks
CAULIFLOWER	x			32°	2-3 weeks
CELERY ROOT	x		Sprinkle	32°	3-4 weeks
CELERY	x		Sprinkle	31 – 32°	2-4 months
COLLARD	x		Sprinkle	31 – 32°	10-12 days
CORN	x		Sprinkle	31 – 32°	4-8 days
CUCUMBERS		x		45 – 50°	10-14 days
DILL	x		Sprinkle	32 – 35°	10-14 days
EGGPLANT		x		45 – 50°	10 days
ENDIVE, ESCAROLE	x		Sprinkle	32 – 35°	2-3 weeks
GARLIC,DRY	x			32°	6-8 months
HORSERADISH	x		Sprinkle	32 – 33°	10-12 months
KALE	x		Sprinkle	32 – 33°	3-4 weeks
KOHLRABI	x		Sprinkle	32 – 33°	2-4 weeks
LEEKS	x		Sprinkle	32°	1-3 months
LETTUCE	x		Sprinkle Lightly	32 – 33°	3-4 weeks
MUSTARD GREENS	x		Sprinkle	32 – 35°	2-4 weeks
MUSHROOMS	x			32 – 35°	3-5 days
OKRA		x		45 – 50o	3-10 days
ONIONS, DRY		x	Keep ventilated	32 – 33°	6-8 months
ONIONS, GREEN	x		Sprinkle	32 – 38°	6-14 days
PARSNIPS	x		Sprinkle roots	32 – 33°	2-6 months
PEAS	x		Sprinkle	32 – 33°	1-2 weeks
PEPPERS		x		45 – 50°	8-10 days
POTATOES, Early Crop		x	Keep out of direct light	50 – 55°	- -
POTATOES, Late Crop	x		Keep out of direct light	38 – 50°	- -
PUMPKIN		x		50 – 55°	2-6 months
RADISHES	x		Sprinkle	32°	1-4 weeks
RHUBARB	x		Sprinkle	32 – 33°	2-3 weeks
RUTABAGAS	x			32 – 33°	2-4 months
SPINACH	x		Sprinkle	32 – 33°	10-14 days
SQUASH					
Acorn, Butternut		x		45 – 50°	4-5 weeks
Yellow, Scallop, Zucchini	x		Sprinkle lightly	35 – 40°	10-14 days
Hubbard, Banana		x		50 – 55°	4-6 months
SWEET POTATOES YAMS		x		55 – 60°	4-6 months
SWISS CHARD	x		Sprinkle	32 – 35°	1-2 weeks
TOMATOES					
Mature Green		x	Ripen at 60 – 70°	55 – 70°	2-5 weeks
Ripe	x			32 – 38°	7 Days
Cherry		x		45 – 50°	7-14 days
TURNIP ROOTS	x			32 – 33°	4-5 months
TURNIP GREENS	x		Sprinkle	32 – 33°	2-3 weeks
WATERCRESS	x		Sprinkle	32 – 33°	7-14 days

SUPER MARKET INSTITUTE, INC. • 200 E. Ontario St., Chicago, Ill. 60611
PRINTED IN U.S.A.

The chart on the previous page shows proper display case temperatures, ideal storage conditions and tips on maintaining high-quality produce items while on display in the normal display cases. The following information on the most popular items in the typical Produce Department should add a little more color to the facts presented in the chart.

✓ Apples. The apple orchards were first planted here by missionary fathers in New Mexico. The famed Johnny Appleseed (really Jonathin Chapman) scattered seeds over a large midwestern area.

- Apples are the oldest known fruit.
- There are hundreds of varieties of Apples.
- Pectin, an ingredient in Apples, acts as an aid to digestion.
- Apples are a natural dentifrice.
- Early Apples are extremely perishable, lack color, and are usually poor in flavor.
- Over-ripe Apples are usually soft and mealy, and lack flavor.
- Apples bruise easily and deteriorate rapidly in warm dry air.

✓ Bananas. Bananas were brought to this country in the early 19th century from Cuba. It is thought that they originated in India.

- Good circulation of air helps prevent over-ripening.
- Covers of boxed Bananas should be removed on arrival at the store to prevent heat buildup which occurs as they continue to ripen.
- Severe discoloration will occur if Bananas are stored at temperatures below 55 degrees.
- Bananas bruise quite easily and require gentle treatment.

✓ Cabbage. The ancient Romans are credited with developing headed Cabbage from the wild non-heading variety that has grown on the European coast for years.

- The three popular varieties of Cabbage are "Green", "Red", and "Curley" or Savoy.
- Quality Cabbage is usually indicated by firm heads with tightly interlocked leaves.

- Cabbage must be handled carefully because it bruises quite easily.
- Excessive humidity or too much sprinkling can cause Cabbage to rot.

✓ Cantaloupes. The Cantaloupe is a type of muskmelon native to Asia but named presumably for Cantaloupe, Italy.

- A well-defined dry "slip" (scar) at the stem end indicates that the melon was picked ripe and was not forced from the vine.
- Ripeness and good flavor are usually accompanied by the distinctive Cantaloupe aroma.
- Severe bruises soften the underlying fruit.

✓ Carrots. Carrots were once used solely as cattle fodder. Some scientists now believe that the Carrot may be the secret cure for the common cold.

- Quality Carrots are firm and smooth, and are bright orange with green leafy tops.
- Early crops are usually smaller, more tender, and milder in flavor.
- Carrots are an excellent source of vitamin A.

✓ Celery. The early Romans used Celery as medicine, and the Abyssinians used Celery as a remedy for headaches.

- Quality Celery comes in crisp, straight, firm stalks that are free from discoloration and have bright green leaves.
- Spreading stalks, yellowed leaves, and limpness indicate old, inferior celery.
- Celery should be kept moist and cold at all times; pre-packaging helps retain moisture.

✓ Corn. The Indians introduced the early settlers in this country to corn.

- Fresh, quality Corn has bright yellow or white kernels in regular, and sometimes irregular, rows.
- The kernels of fresh Corn are firm enough to offer slight resistance to pressure, and they emit a white milky substance when punctured.
- The husks of fresh Corn are usually bright green.
- Corn is a highly perishable item and will not retain its flavor more than a few days.
- Corn should be kept under refrigeration at all times to retain flavor and tenderness.

✓ Grapefruit. The Grapefruit we know today was developed in Florida, but according to Chinese literature an item much like this was developed over 300 years ago.

- Quality Grapefruit is thin-skinned, firm but springy to the touch, and heavy for its size.
- Color is not an accurate or reliable indicator of quality.
- Grapefruit can stand a wide variation in temperatures, but extremes of temperature should be avoided.

✓ Lemons. The Lemon is actually native to India, but the Arabs are given credit for having extended the cultivation to Africa and Europe.

- Quality Lemons are thin-skinned with good color and heavy for their size.
- Most Lemons are green and cured in storage rooms.
- Lemons should be kept out of direct sunlight; wide variations in temperature should be avoided.

✓ Lettuce. Lettuce has a very early origin being traced back to 500 B.C. in Greece.

- The outer leaves of quality Lettuce should be light green and crisp.
- Good quality, crisp head Lettuce should be firm and free from excessive outer leaves.

- The four major varieties of lettuce are: "Iceberg", "Boston", "Leaf" and "Romaine".
- Lettuce should be refrigerated and kept moist.
- Heads should be dipped in water for washing, but should not be permitted to soak.

√ Dry Onions. The Onion was eaten as early as 430 B.C. by the Israelites.

- Quality dry Onions should be firm with a brittle skin.
- The two principle varieties of dry Onions are "Grano" (round) and "Granex" (flat).
- Dry Onions bruise easily and deteriorate quickly after being bruised.
- Dry Onions should be stored in a dry, cool spot.

√ Green Onions.

- The roots of green Onions should not be too large, and the tops should be medium green if the Onions are fresh.
- The two principle types of green Onions are "Leeks" and "Shallots".
- Green Onions should be kept refrigerated and may be sprinkled lightly to keep them fresh.
- Green Onions are highly perishable and susceptible to decay.

√ Oranges. The sweet Orange was actually developed in China and came to the U.S.A. via the Mediterranean countries, the West Indies, and South America.

- The juiciest Oranges are firm and heavy for their size.
- Oranges should be kept dry and need not be refrigerated.
- "Valencia" and "Navel" are two popular types of Oranges.
- Oranges are an excellent source of vitamin C.

✓ Potatoes. The potato was introduced in Europe by Spanish explorers who called the potato "batata".

- Quality potatoes are sound and firm, and have a smooth skin with a minimum of scars, dents, and eyes.
- Potatoes bruise very easily.
- Potatoes should be kept in a well ventilated area.
- Heat, light, and moisture cause rapid spoilage in potatoes.

✓ Tomatoes. Tomatoes were being cultivated in the Andes region of South America as early as the 16th century.

- Quality Tomatoes are solid, well colored, and glossy, with smooth unblemished skins.
- Tomatoes are extremely delicate and require careful handling.
- The best-flavored Tomatoes are those that are ripened on the vine.
- Tomatoes are an important source of vitamin C.

✓ Watermelon. The Watermelon is actually a member of the gourd family and is native to tropical Africa.

- A Watermelon is usually ripe when the underside that has been sitting on the ground is yellow.
- The best way to test the quality of a melon is to take a plug.
- Watermelons should be stored in a very cool spot.

Because of its high turnover and colorful merchandise, the Produce Department can become the highlight department in any store. The freshness and color of the products arranged in attractive displays can actually impart a fresh quality image to the entire store.

Since there are relatively few nationally-advertised brands of produce, the movement of produce items depends on the ingenuity of the Produce Department personnel to work out successful merchandising and customer-service programs. To put it another way, the success of the department is proportionate to the energy and creativity of the personnel in the department!

SELF-QUIZ

Self-Study Unit #8

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (TRUE or FALSE) Produce items can withstand much handling because they are living cellular bodies. (I-1) __________

2. (TRUE or FALSE) The single aisle layout with center display tables has been found to be the most effective layout for the Produce Department, mainly because it encourages more thorough shopping of the department. (I-3) __________

3. Generally, high-demand items and feature items should be: (I-7)

   (a) shelved side-by-side in the display cases.
   (b) scattered throughout the department.
   (c) located near the weighing station.
   (d) placed on display tables in the center of the aisle.

4. Twenty-one items in the Produce Department of a typical supermarket account for between ______% and ______% of the department's total annual dollar sales. (I-11)

5. (TRUE or FALSE) The Produce Department has the highest unit sales per item of the six major departments in a typical supermarket. (II-1, S-2) __________

6. (CIRCLE THE CORRECT ANSWERS) The Produce Department in a typical supermarket has: (II-2 to II-3, S-7 to S-12)

   - A (high ... low) cost of inventory;
   - A (high ... low) return on inventory investment; and
   - A (high ... low) annual rate of turnover.

7. (TRUE or FALSE) Produce items have a higher-than-average gross margin. (II-4, S-16) __________

8. (TRUE or FALSE) The Produce Department has high potential, as evidenced by the fact that a high percentage of shoppers pass the department and fail to buy at least one item. (II-5, S-20)

____

9. (CIRCLE THE CORRECT ANSWER) The Produce Department generally (is ... is not) a major factor in a shopper's choice of a supermarket to patronize regularly. (II-6, S-26)

10. (TRUE or FALSE) All shoppers realize that prices of produce vary with supply and demand, declining in the peak season when produce is plentiful and rising in the off season when produce is scarce. (II-9, S-39) __________

11. (CIRCLE THE CORRECT ANSWER) The condition of a package of pre-packaged produce (does ... does not) affect the salability of the item. (II-13, S-57)

12. (TRUE or FALSE) Two popular methods of displaying produce items in the normal display cases are by color contrast and by use. (II-13, S-61) __________

13. What portion of the shoppers buying produce in recent store tests bought on impulse? (II-15, S-67)

☐ About one-third
☐ Over half
☐ About three-fourths
☐ About 90 out of 100

14. Check the six largest-selling (high-demand) items in the Produce Department of a typical supermarket. (II-15, S-71)

☐ Carrots
☐ Oranges
☐ Peaches
☐ Apples
☐ Potatoes
☐ Tomatoes
☐ Watermelon
☐ Cabbage
☐ Bananas
☐ Celery
☐ Lettuce
☐ Corn

15. (TRUE or FALSE) Generally, seasonal items should be grouped together in the display cases for easier shelf-stocking by Produce Department personnel. (II-16, S-75) __________

16. (TRUE or FALSE) According to most successful store operators, after the best arrangement of items in the Produce Department has been determined, the same arrangement should be maintained consistently so that regular customers will know exactly where to find needed items. (II-17, S-79) __________

17. (TRUE or FALSE) Extension displays positioned on alternate sides of a single aisle straight line Produce Department are effective in drawing customers through the entire department. (II-19, S-90) __________

18. (CIRCLE THE CORRECT ANSWER) Produce items lose moisture to the surrounding air whenever the air is (more ... less) saturated than the produce. (II-22, S-105)

19. (TRUE or FALSE) Some produce items breathe or respire faster than others, causing the life-losing process and spoilage to be more rapid. (II-23, S-115) __________

20. The normal case lives of the six largest-selling items in the Produce Department are: (II-25, S-122)

- Potatoes -- _____ days
- Bananas -- _____ days
- Apples -- _____ days
- Tomatoes -- _____ days
- Lettuce -- _____ days
- Oranges -- _____ days

21. The two major causes of weighing errors are ____________________ and ______________ ______________. (II-28, S-138)

22. (TRUE or FALSE) Most produce items are available the year round. (III-1) __________

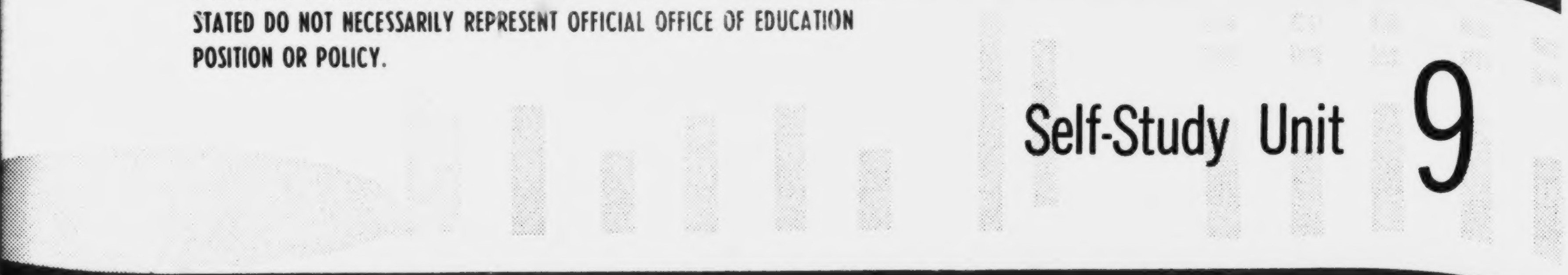
23. (TRUE or FALSE) Since the turnover is so rapid in the Produce Department, it is necessary to carry a huge inventory of items. (III-3) __________

24. (TRUE or FALSE) Since most produce items are brand-name items, shoppers can quickly select their favorite brands and complete their produce shopping in a hurry. (III-6) __________

25. (TRUE or FALSE) Because it contains some of the most colorful items in the store, the Produce Department is an excellent department in which to cultivate loyal customers and impart a fresh quality image to the entire store. (III-9) __________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.



Self-Study Unit 9

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Dairy Department

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations :

- Unit #1 -- "The Grocery Industry ... Past, Present, and Future"
- Unit #2 -- "From the Producer to the Consumer"
- Unit #3 -- "The Supermarket Today"
- Unit #4 -- "Profit and the Supermarket"
- Unit #5 -- "The Supermarket Customer"
- Unit #6 -- "The Grocery Department"
- Unit #7 -- "The Meat Department"
- Unit #8 -- "The Produce Department"
- Unit #9 -- "The Dairy Department
- Unit #10 -- "The Frozen Foods Department"
- Unit #11 -- "The Bakery Department"
- Unit #12 -- "The Front End"
- Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #9

The Dairy Department in most supermarkets is a very stable contributor to overall store sales and profits. Because of this stability and a relatively low cost of operation, the department has been somewhat neglected in many supermarkets. However, as we will see in this Unit, some operators find that increased merchandising effort in this department pay off in increased sales and profits for the store.

Specifically, in this Unit we will study:

Section I. THE SCOPE OF THE DAIRY DEPARTMENT

- A. Location and Layout of the Dairy Department
- B. Personnel in the Dairy Department
- C. Share of Total Sales by Product Group

Section II. THE DAIRY DEPARTMENT IN THE MODERN SUPERMARKET

- A. Importance of the Dairy Department
- B. Product Management in the Dairy Department
- C. Elements of Effective Dairy Merchandising
- D. Major Problems in the Dairy Department

Section III. OPERATIONS OF THE DAIRY DEPARTMENT

- A. Ordering of Dairy Products
- B. Receiving, Handling, and Storing Dairy Products
- C. Product Information

I. THE SCOPE OF THE DAIRY DEPARTMENT

A good percentage of the shoppers entering the supermarket buy at least one dairy item. Their purchases are centered on the department's 5 or 6 high-demand product groups which account for as high as 80% of the Dairy Department's dollar sales. This department could become a dynamic, rather than stable, contributor to store sales and profits by increasing the sales of some of the higher-margin semi-demand and impulse items.

LOCATION AND LAYOUT OF THE DAIRY DEPARTMENT

The Dairy Department with its high-demand items can usually be counted on as a steady drawing card. Therefore it would be best to locate the department so as to draw shoppers through several other departments and thereby expose them to other items and buying situations enroute to the Dairy Department.

1. Location of the Department

The Dairy Department is usually located along the perimeter of the store, either at the rear or at the side furthest from the entrance, to provide maximum drawing power and maintain an efficient straight-line layout. (SEE DIAGRAMS A AND B)

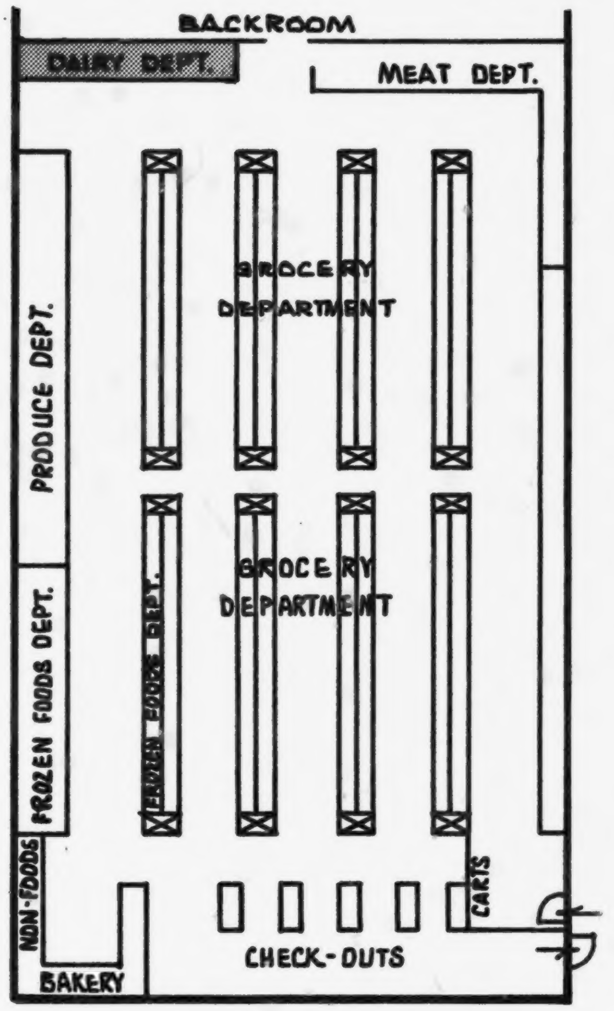

BACKROOM
DAIRY DEPT.
MEAT DEPT.
PRODUCE DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
FROZEN FOODS DEPT.
FROZEN FOODS DEPT.
NON-FOODS
BAKERY
CHECK-OUTS
CARTS

DIAGRAM A

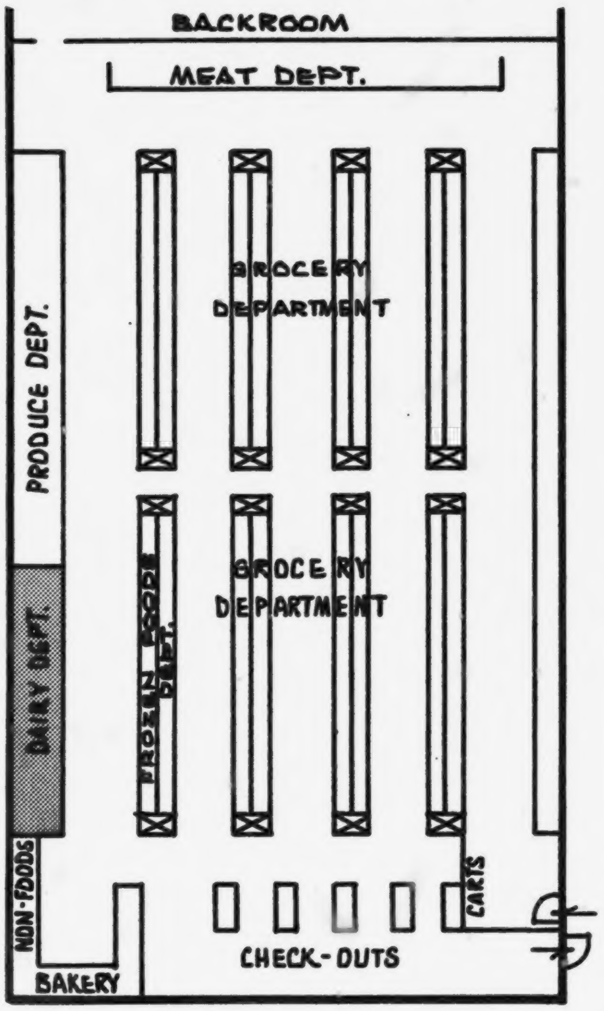

BACKROOM
MEAT DEPT.
PRODUCE DEPT.
DAIRY DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
FROZEN FOODS DEPT.
NON-FOODS
BAKERY
CHECK-OUTS
CARTS

DIAGRAM B

In some stores, the Dairy Department is located either at the front corner or at the rear corner of the store, close to the storage cooler to shorten stocking trips and reduce labor costs. (SEE DIAGRAMS C AND D) A straight-line layout is sacrificed, but shoppers seem to move through the curved department in rapid order, thoroughly shopping the department as they go.

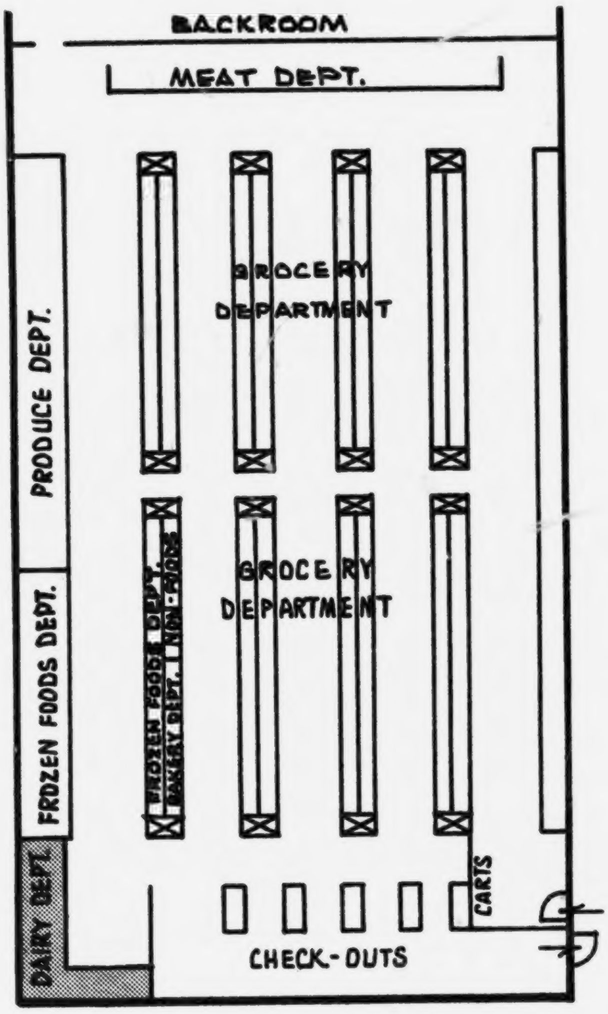

BACKROOM
MEAT DEPT.
PRODUCE DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
FROZEN FOODS DEPT.
FROZEN FOODS DEPT.
BAKERY DEPT.
NON-FOODS
DAIRY DEPT.
CARTS
CHECK-OUTS

DIAGRAM C

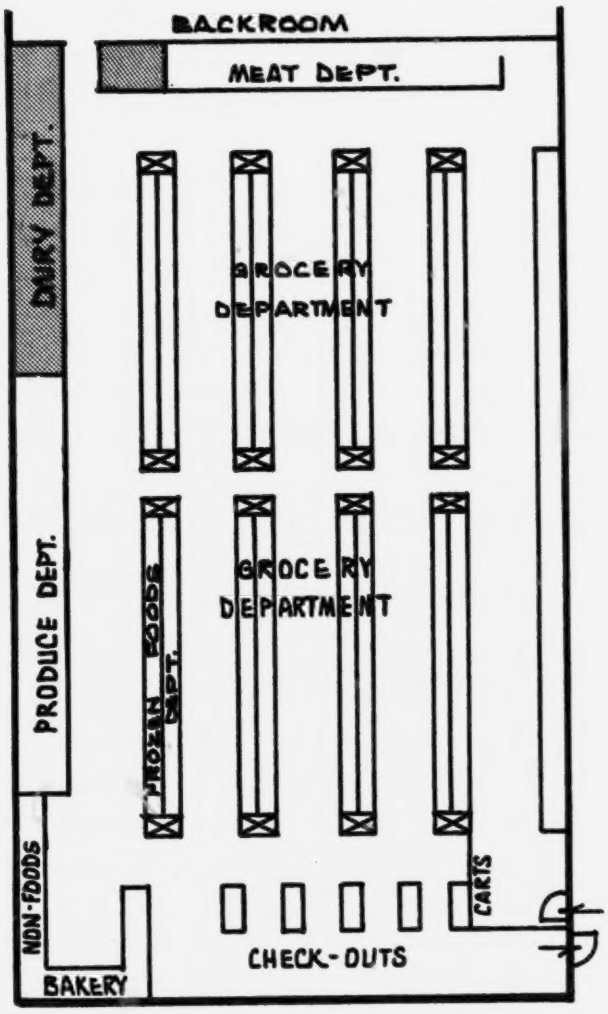

BACKROOM
MEAT DEPT.
DAIRY DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
PRODUCE DEPT.
FROZEN FOODS DEPT.
NON-FOODS
BAKERY
CARTS
CHECK-OUTS

DIAGRAM D

2. Layout of the Department

The Dairy Department can be used to provide a planned traffic flow, because many shoppers intend to buy one of the high-demand items in that department. Once they reach the department, they can be drawn through it and can be led to buy one or more of the semi-demand and impulse items in the department. The optimum plan should be to draw shoppers through the department, reduce congestion, and speed shopping.

There are many different layouts for accomplishing this. One is the straight-line department layout designed to promote one-way shopping. (SEE DIAGRAM E) Note that the shelving across the aisle from the dairy cases is continuous, providing no exits or entries other than at the end of the department. Thus, all traffic flows parallel with the display cases.

Dairy display cases can also be placed on both sides of the aisle. (SEE DIAGRAM F) This layout may accommodate more shoppers at a given time, but may also present congestion problems during peak shopping periods as shoppers travel from side to side shopping both sides of the department.

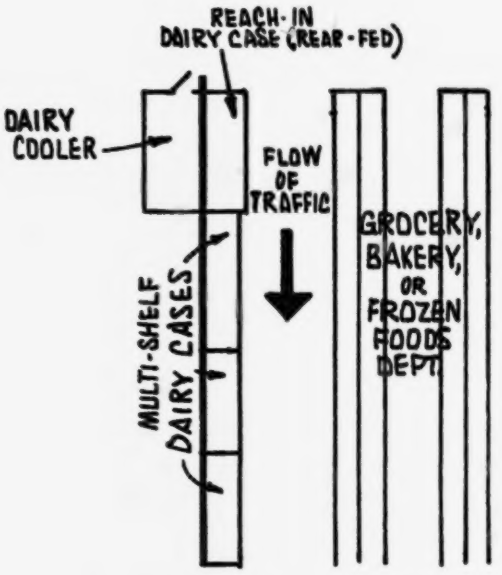

REACH-IN DAIRY CASE (REAR-FED)
DAIRY COOLER
FLOW OF TRAFFIC
MULTI-SHELF DAIRY CASES
GROCERY, BAKERY, OR FROZEN FOODS DEPT.

DIAGRAM E

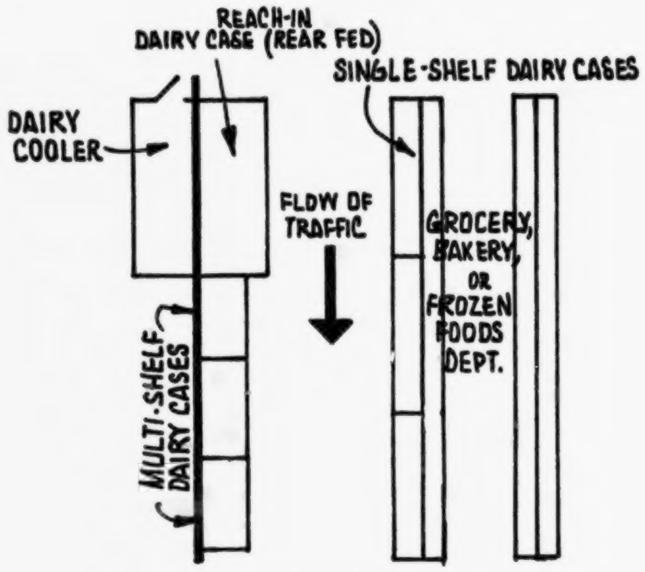

REACH-IN DAIRY CASE (REAR FED)
SINGLE-SHELF DAIRY CASES
DAIRY COOLER
FLOW OF TRAFFIC
MULTI-SHELF DAIRY CASES
GROCERY, BAKERY, OR FROZEN FOODS DEPT.

DIAGRAM F

When the Dairy Department is located in the rear corner or the front corner of the store, the department can be split or in an L-shape. (SEE DIAGRAMS G AND H) This arrangement provides maximum use of corner space which is often wasted otherwise.

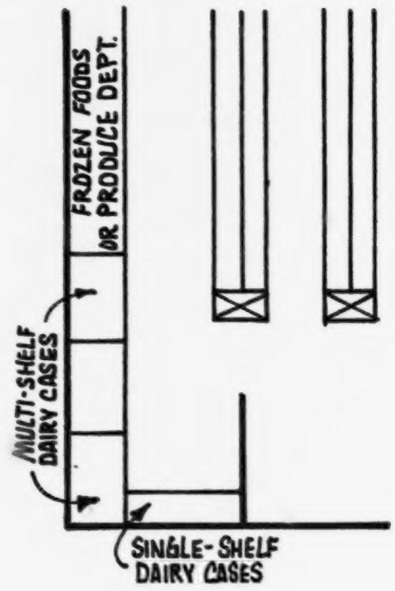

FROZEN FOODS OR PRODUCE DEPT.
MULTI-SHELF DAIRY CASES
SINGLE-SHELF DAIRY CASES

DIAGRAM G

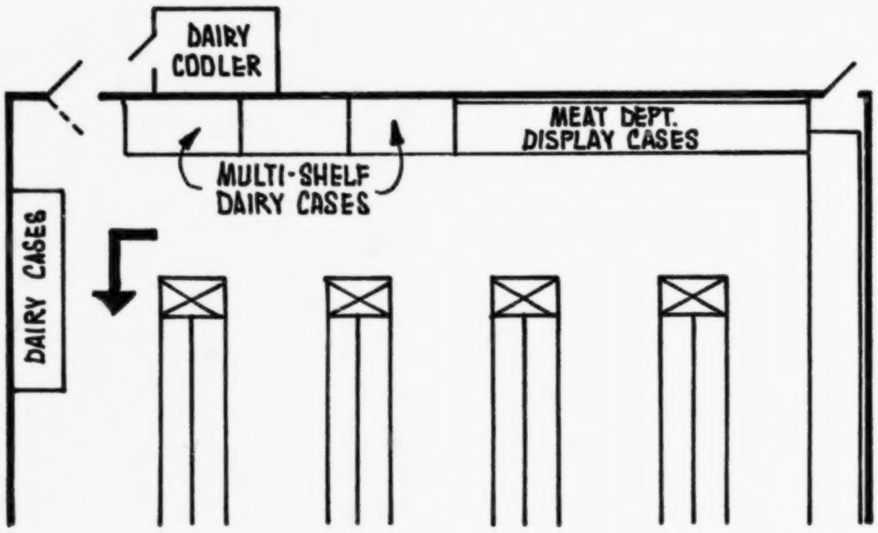
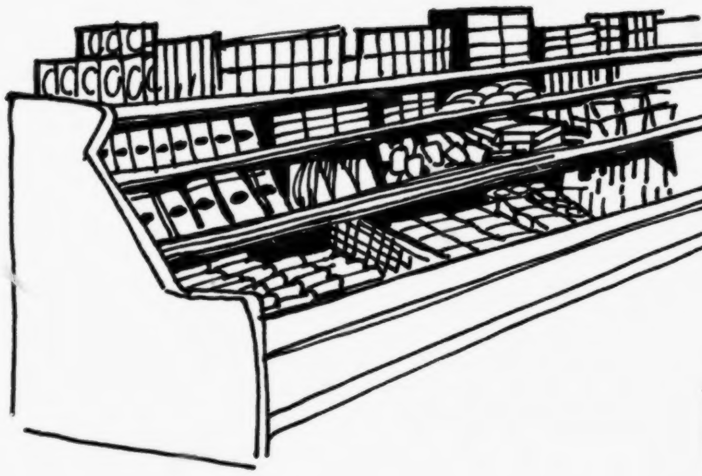
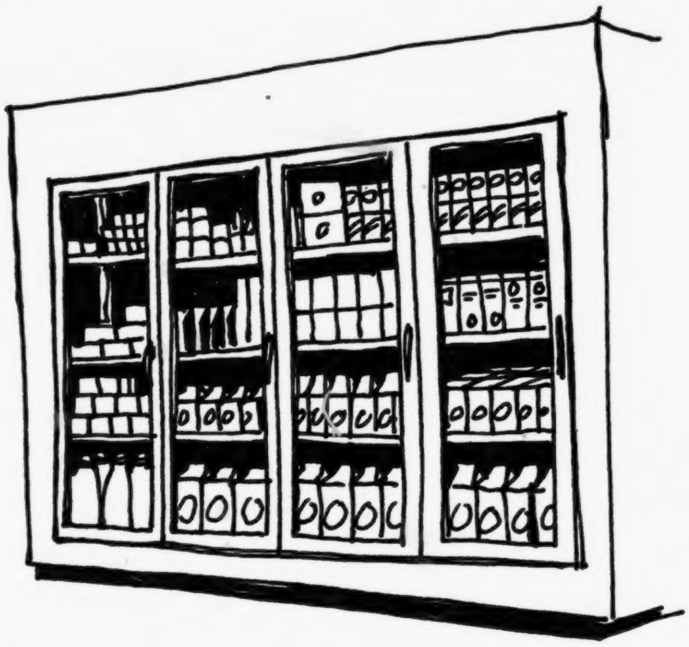

DAIRY COOLER
MEAT DEPT. DISPLAY CASES
MULTI-SHELF DAIRY CASES
DAIRY CASES

DIAGRAM H

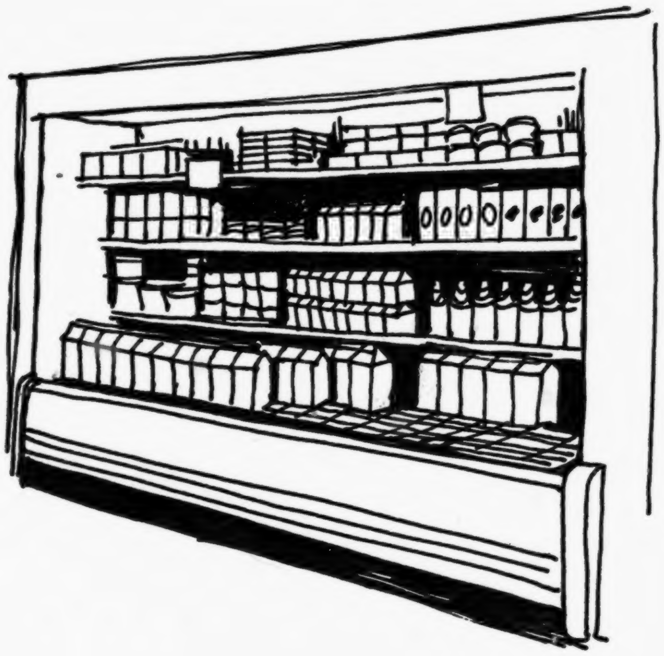
The many possible locations and layouts for the Dairy Department are largely due to the wide variety of dairy display cases in use today. One or more of the following types of refrigerated display cases are usually found in the Dairy Department -- multi-shelf (two- to five-tiers high), or reach-in (door type or air-curtain type). The reach-in cabinets are often rear-fed cases.



Multishelf



Reach-in (door type)



Reach-in (air curtain)

The equipment in the department can be laid out in a manner that channels shoppers through the department, but there should be some attraction to move them through the channel. The arrangement of the items in the display cases can provide that attraction.

3. Arrangement of Items in the Display Cases

Some store operators have found that they can guide shoppers through the Dairy Department in a profitable manner by positioning high-demand items throughout the department. (SEE DIAGRAM I) The demand items might be positioned throughout the display cases on one, two, or three tiers of shelving depending on the style of display cases in the department. This layout is particularly effective if the normal flow of store traffic is from both directions.

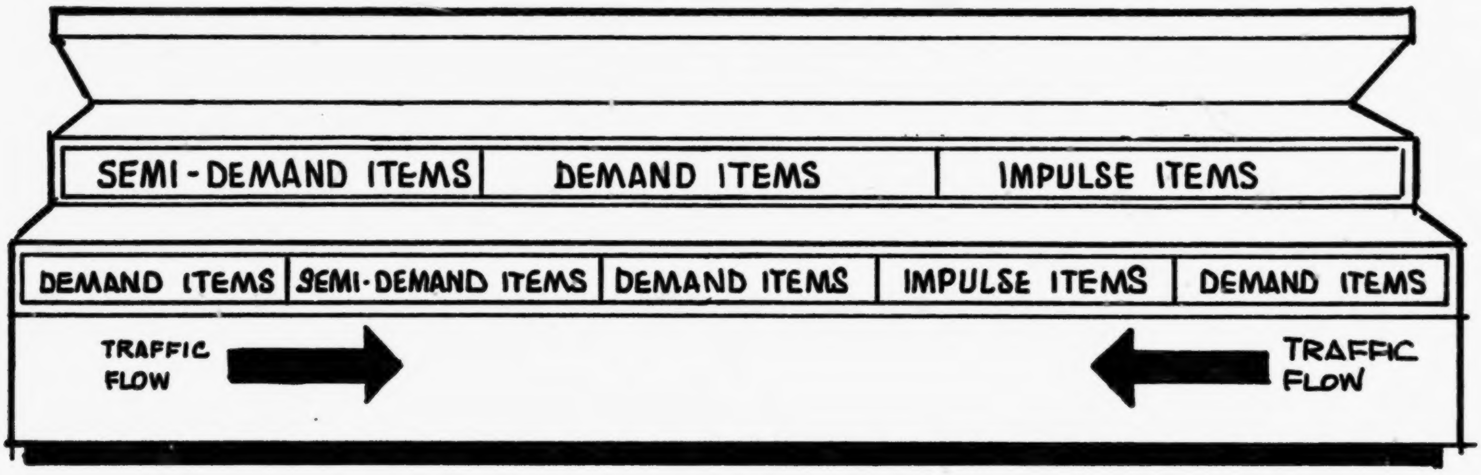

SEMI-DEMAND ITEMS
DEMAND ITEMS
IMPULSE ITEMS
DEMAND ITEMS
SEMI-DEMAND ITEMS
DEMAND ITEMS
IMPULSE ITEMS
DEMAND ITEMS
TRAFFIC FLOW
TRAFFIC FLOW

DIAGRAM I

Another way to draw customers through the department would be to position all the high-demand items at the far end of the department. (SEE DIAGRAM J) The high-demand items are preceded by semi-demand items, which are in turn preceded by impulse items. The theory behind this layout is that shoppers will be more likely to pick up impulse items if they are exposed to them first. The shoppers must also walk the entire length of the department to reach the high-demand items, thus prompting them to shop the department as they go.

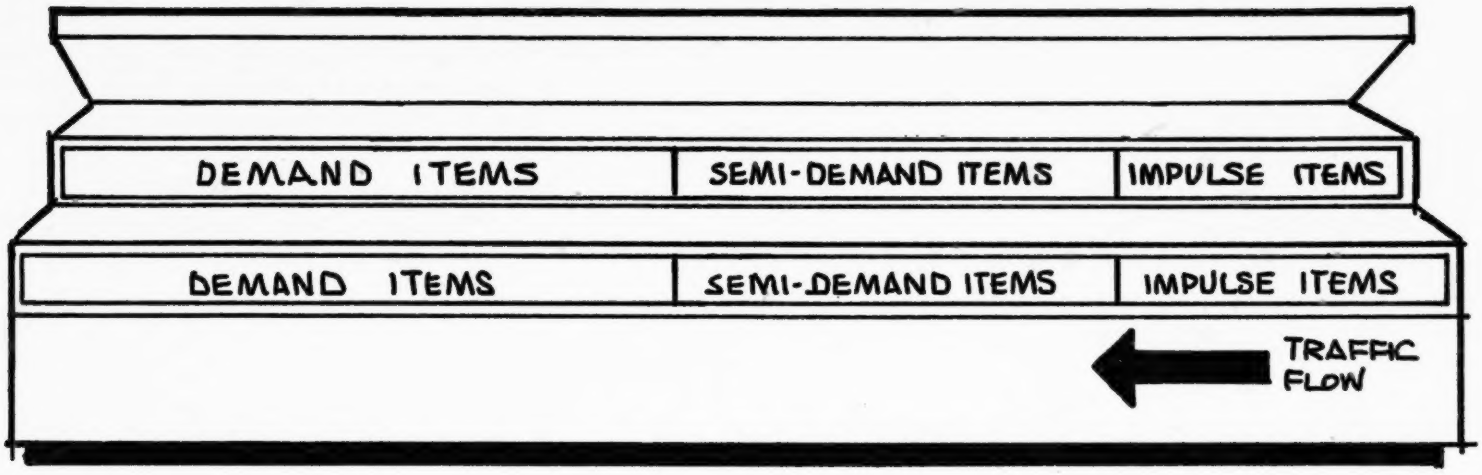

DEMAND ITEMS
SEMI-DEMAND ITEMS
IMPULSE ITEMS
DEMAND ITEMS
SEMI-DEMAND ITEMS
IMPULSE ITEMS
TRAFFIC FLOW

DIAGRAM J

Another common practice is to shelve all the high-demand items on the first tier of the display cases, with the impulse items and the semi-demand items stocked on the upper tiers, between waist level and eye level. (SEE DIAGRAM K) When this arrangement is used, the impulse items are usually placed at the head of the traffic flow.

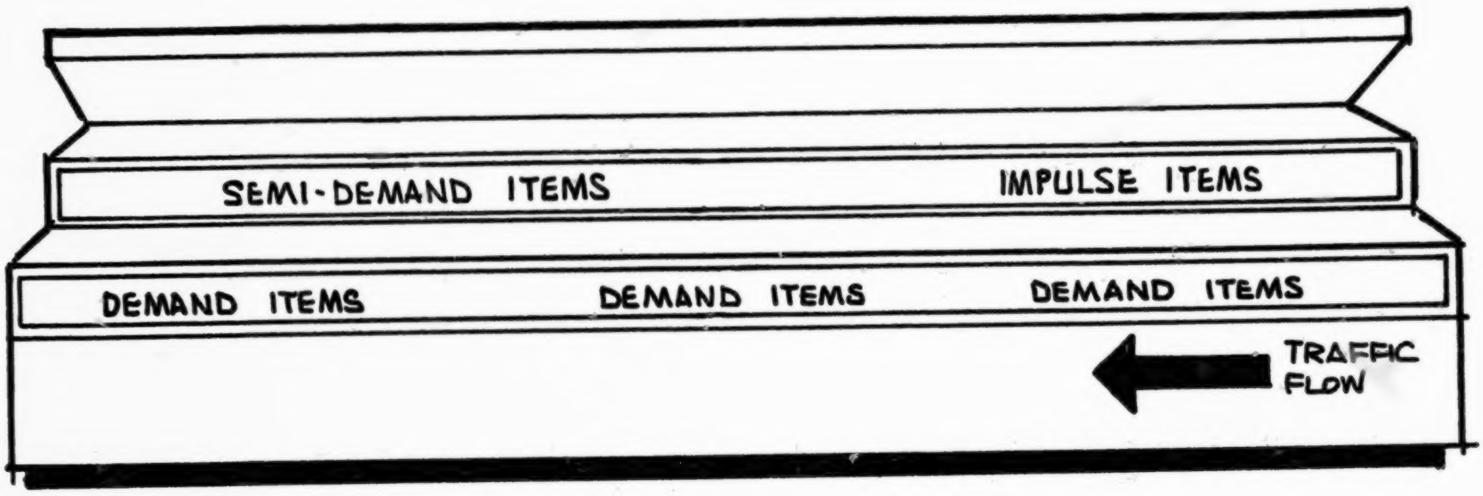

SEMI-DEMAND ITEMS
IMPULSE ITEMS
DEMAND ITEMS
DEMAND ITEMS
DEMAND ITEMS
TRAFFIC FLOW

DIAGRAM K

Still another effective layout is to shelve all the high-demand items in the center of the department, with semi-demand and impulse items on either side. (SEE DIAGRAM L) This arrangement is also best-suited to stores in which the flow of store traffic through the department is from both directions.

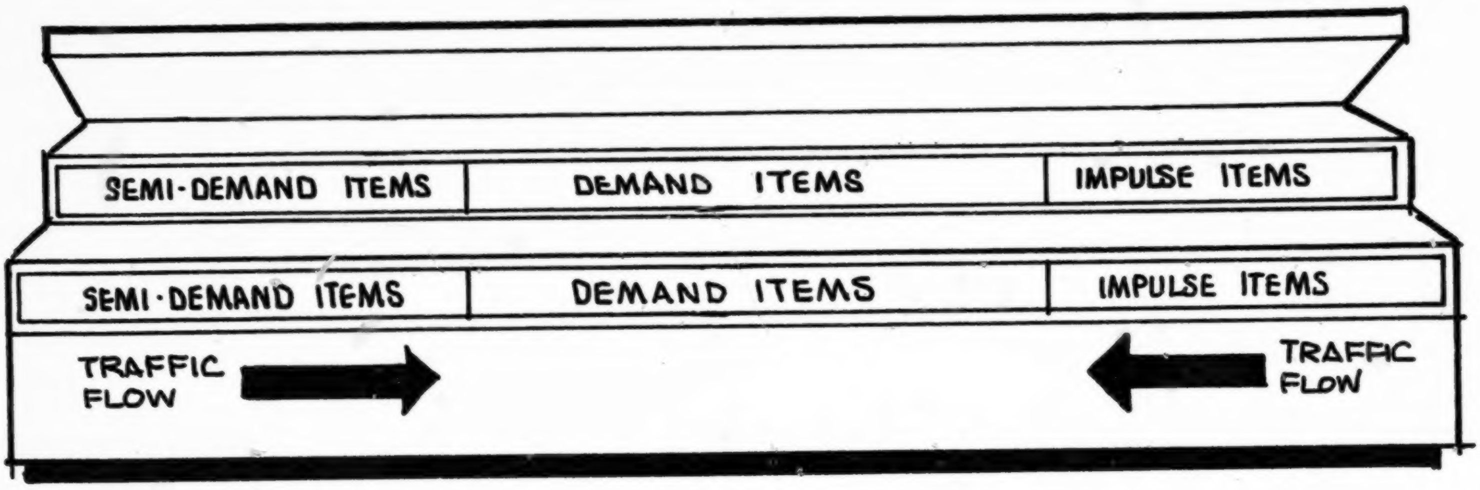

SEMI-DEMAND ITEMS
DEMAND ITEMS
IMPULSE ITEMS
SEMI-DEMAND ITEMS
DEMAND ITEMS
IMPULSE ITEMS
TRAFFIC FLOW
TRAFFIC FLOW

DIAGRAM L

The above display case layouts are a few of many possibilities. Generally the purpose behind such layouts is to promote a thorough shopping of the department and thus increase the sales of high-margin semi-demand and impulse items.

4. Layout of the Backroom Cheese-cutting Operation

Besides the refrigerated display cases in the retail selling area of the Dairy Department and a storage cooler for the backroom, those stores that buy, slice, wrap and sell Bulk Cheese also require Cheese-cutting and wrapping equipment. (SEE DIAGRAM M) However, most stores avoid the equipment and labor cost connected with a Bulk Cheese operation, choosing instead to buy this type of Cheese pre-packaged and ready for sale.

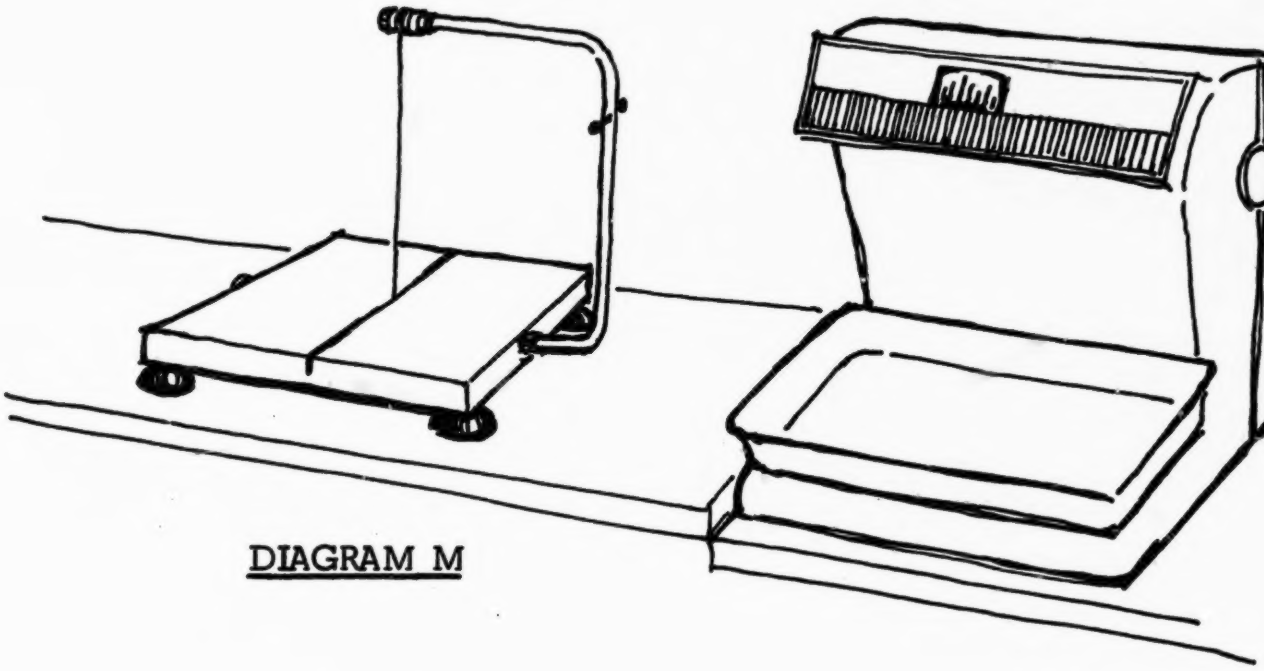


DIAGRAM M

PERSONNEL IN THE DAIRY DEPARTMENT

A small or low-volume Dairy Department will usually require only one person to operate it; in some cases, the same person also handles the Frozen Foods Department. Larger-volume departments, of course, require additional workers who are usually employed on a part-time basis.

The trend today is for the Dairy Department to be headed by a Dairy Department Manager. However, some stores still classify the person in charge of the Dairy Department as a clerk, even though he or she performs the same duties as a department manager.

- Dairy Department Manager. The individual in charge of the Dairy Department (whether his title is clerk or Department Manager) is responsible for planning, ordering, receiving, storing, displaying, rotating, cleaning and coordinating all activities in the department.

  The Department Manager is also responsible for directing and controlling suppliers' driver/salesmen who deliver and stock dairy items, often on a daily basis. This entails assigning an maintaining space allocations in addition to maintaining the display case layout.

- Part-time Clerks. In a store with a medium- or large-sized Dairy Department, clerks are often employed (usually on a part-time basis) to assist the Dairy Manager in the operation of the department.

According to a recent United States Department of Agriculture study, pricing, handling and stocking dairy items in the display cases requires about 58% of an employee's time in a $4,000 per week Dairy Department where Bulk Cheese is not packaged and priced at the store. This study should provide a framework for analyzing labor costs in the Dairy Department:

FUNCTION	PERCENTAGE OF TOTAL MAN HOURS
Ordering	3%
Receiving	15%
Pricing and displaying	58%
Price changing	3%
Policing	7%
Cleaning dairy case	6%
Building special displays	7%
Miscellaneous	1%
	100%

SHARE OF TOTAL SALES BY PRODUCT GROUP

As we saw, the Dairy Department contains a few high-demand items, a number of semi-demand items, and a variety of impulse items. The four major high-demand product groups are Milk, Eggs, Margarine, and Butter. Ice Cream could be considered the fifth, for many stores classify it as a dairy item even though it is displayed in the frozen foods cases. (In some stores, Ice Cream is considered part of the Frozen Foods Department instead of the Dairy Department.) If considered as a single product group, Cheese could qualify as a sixth high-demand product group; however, in many stores, the many varieties of Cheeses are grouped by type into separate product groups -- Bulk Cheese, Process Cheese, Natural Cheese, Cottage Cheese, etc. -- which rank in the semi-demand or impulse categories.

The break-down of sales by product group, then, is roughly as follows:

• HIGH-DEMAND	Milk, Eggs, Margarine, Ice Cream, Butter -- about 80% of total department dollar sales.
• SEMI-DEMAND	Cream, Cottage Cheese, Bulk Cheese, Process Cheeses, Natural Cheeses -- about 14% of total department sales.
• IMPULSE	Cheese Spreads, Cheese Dips, Buttermilk, Dessert Toppings, Refrigerated Biscuits, etc. -- about 6% of total department sales.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE DAIRY DEPARTMENT IN THE MODERN SUPERMARKET

IMPORTANCE OF THE DAIRY DEPARTMENT

S-1 In prior Units we've covered the Grocery Department, (the ______________ single department in the store), the Meat Department, and the Produce Department. Now we will concentrate on the Dairy Department, a stable contributor to over-all store sales and profits.

R-1
largest

S-2 The Dairy Department contains a number of high-demand items, one or more of which is usually included on the average shopper's list. Thus, the department can be considered a rather ______________ contributor to over-all store sales and profits.

R-2
stable

1. Space allocations, sales and profits of the Department

S-3 The Dairy Department is a ____________ contributor to store sales and profits. In fact, the Dairy Department accounts for about 9% of total dollar sales and about 8% of total gross profit dollars.

R-3
stable

S-4 The Dairy Department accounts for about ____% of total dollar sales and about ____% of total gross profit in a typical supermarket. The Department also accounts for about:

- 5% of the total selling space;
- 4% of the total number of items;
- 10% of the total unit sales.

From these figures, we can conclude that the dollar sales per square foot and the unit sales per square foot in the department are relatively *(high... low)*. (CIRCLE THE CORRECT WORD)

R-4 9% 8% high	S-5	Dollar sales per square foot in the Dairy Department are second only to the Meat Department. Unit sales per square foot in the Dairy Department surpass those of all departments, making the Dairy Department the highest of the six major departments in a typical supermarket in unit sales per ______________ ___________.
R-5 square foot	S-6	Compared to the other departments in a typical supermarket, the Dairy Department contributes the second-highest __________ __________ per square foot and the highest _________ __________ per square foot.
R-6 dollar sales unit sales	S-7	The Dairy Department's _________ _________ per square foot are the second-highest of all departments, being surpassed only by the Meat Department. (In a $2,000,000-a-year store, about $6.60 for the Dairy Department, compared to about $7.00 for the Meat Department and about $3.25 for the store as a whole.)
R-7 dollar sales	S-8	Further, the Dairy Department's _________ ________ per square foot are higher than for any other department in the store and are over twice that of the store average. (In a $2,000,000-a-year store, about 20 units per square foot per week, compared to about 10 units for the Produce Department and about 8 units for the store as a whole.)

R-8 unit sales	S-9	Earlier, we saw that the Dairy Department in a typical supermarket accounts for about: • 10% of total unit sales; • 9% of total dollar sales; • 8% of total gross profit. From these figures we can conclude that the Dairy Department's gross margin of 17% is slightly *(higher... lower)* than the store average. (CIRCLE THE CORRECT WORD)
R-9 lower	S-10	The Dairy Department's lower-than-average ________ ______________ of about 17% is somewhat offset by the relatively high rate of turnover in the department -- about 41 turns per year.
R-10 gross margin	S-11	The department's lower-than-average gross margin of about ______% is slightly offset by a *(lower-than-average...higher-than-average)* annual rate of turnover. (CIRCLE THE CORRECT WORD)
R-11 17% higher-than-average	S-12	The annual rate of __________________ for the Dairy Department is about 41 turns per year.
R-12 turnover	S-13	The annual turnover for the Dairy Department is about ____ (HOW MANY?) turns per year, compared to about 28 turns for the store as a whole, 20 turns for the Grocery Department, 58 turns for the Meat Department, and 78 turns for the Produce Department.

R-13 41	S-14	(TRUE or FALSE) The annual rate of turnover for the Dairy Department is about twice that of the Grocery Department, but slightly more than half that of the Produce Department. __________
R-14 True	S-15	The *(average...below-average...above-average)* gross margin of the Dairy Department is partially offset by the *(average...below-average...above-average)* turnover rate in the department. (CIRCLE THE CORRECT WORD)
R-15 below-average above-average	S-16	A store's labor costs for operating the Dairy Department are low, despite the fact that the department has a higher-than-average turnover rate of about ______ (HOW MANY?) turns per year. In fact, the sales per man hour in the department are the highest of any department.
R-16 41	S-17	Very little store labor is used to operate the average Dairy Department. This accounts for the fact that the department has the *(lowest... highest)* sales per man hour of any department.
R-17 highest	S-18	Compared to the other departments, the Dairy Department in a typical supermarket requires relatively few man hours of store labor, as indicated by its high ________ per ________ __________. This low input of labor and the number of high-demand items probably accounts for the fact that the department is a __________ contributor to store profits.

2. Consumer Attitudes toward the Dairy Department

R-18 sales (per) man hour stable	S-19	The fact that one or more of the __________-______________ items in the Dairy Department is bought by the average shopper is substantiated by recent store tests. These tests showed that 93 out of 100 shoppers entering the store passed the Dairy Department, and that 78 out of 100 bought at least one dairy item.
R-19 high-demand	S-20	Out of every 100 shoppers entering the supermarket, about ______ (HOW MANY?) pass the Dairy Department, and about ______ (HOW MANY?) buy at least one dairy item.
R-20 93 78	S-21	Although ___________________ (WHAT PORTION?) of the shoppers entering the store buy from the Dairy Department, many concentrate their purchases on the high-demand product groups in the department -- Milk, Eggs, Margarine, Butter, and Ice Cream. Thus, the potential sales of other high-margin semi-demand and impulse items is great.
R-21 78 out of 100	S-22	Despite the fact that 78 out of 100 shoppers entering the store buy at least one dairy item, the ______________ sales for the department are much higher. Potential profits are also much higher because the department contains many high-margin semi-demand and __________ items that currently make up a very small portion of department sales.

R-22
potential
impulse

S-23 Potential sales and profits in the Dairy Department can be considered to be high because:

- Out of every 100 shoppers entering a typical supermarket, 93 pass the department and ______ (HOW MANY?) buy at least one dairy item.
- Many of the shoppers who buy dairy items concentrate their puchases on high-demand items, but the department also has many high-margin __________ - ______________ and ________________ items.

R-23
78
semi-demand (and)
impulse

S-24 Some stores today are capitalizing on the fact that the Dairy Department, with its high-demand items, is a stable "drawing card" that has *(great...small)* potential for increased sales and profits from its high-margin ______ - _______________ and impulse items.

R-24
great
semi-demand

PRODUCT MANAGEMENT IN THE DAIRY DEPARTMENT

S-25 In order to improve the sales and profits in the Dairy Department, stores can attempt to achieve a better balance between the high-demand, __________ - ______________, and _________________ items in the department.

R-25
semi-demand
impulse

1. Sales and Margins by Product Group

S-26 In a typical supermarket, five high-demand items in the Dairy Department account for about 80% of the department's total dollar sales. The five ________ - ____________ items are, in order:

- Milk
- Eggs
- Margarine
- Ice Cream
- Butter

R-26
high-demand

S-27 About $4 out of every $5 in Dairy Department sales (or about _____% of total dollar sales for the department) come from five high-demand product groups: Milk, Eggs, Margarine, Ice Cream, and Butter.

R-27
80%
high-demand

S-28 The bulk of the customers shopping the Dairy Department probably have one or more of the five high-demand items on their shopping lists. One of them, Ice Cream, is housed in a special freezer and, in some stores, is considered part of the Frozen Foods Department. The other four are found in the normal Dairy Department display case; they are ________, ________, ______________, and __________.

R-28
Milk
Eggs
Margarine
Butter

S-29 The five high-demand dairy products in the order of their dollar sales are Milk, Eggs, Margarine, Ice Cream and Butter. Together they account for about ______% of the total dollar sales of the Dairy Department.

R-29
80%

S-30 The largest-selling dairy item is ________. The other high-demand dairy products, in the order of their sales, are: ________; ________; ________ ________; and ________.

R-30
Milk
Eggs
Margarine
Ice Cream
Butter

S-31 The column at the right shows the approximate share of the department's total dollar sales contributed by each of the five high-demand dairy items. Match the figure at the right with the items at the left.

______ Milk (a) 6%
______ Eggs (b) 14%
______ Margarine (c) 15%
______ Ice Cream (d) 35%
______ Butter (e) 10%

R-31
(d) 35%
(c) 15%
(b) 14%
(e) 10%
(a) 6%

S-32 The approximate share of total Dairy Department sales accounted for by each of the five high-demand dairy products is shown below. In the space provided, fill in the respective product group.

- ____________ -- about 14%
- ____________ -- about 35%
- ____________ -- about 10%
- ____________ -- about 15%
- ____________ -- about 6%

R-32
Margarine
Milk
Ice Cream
Eggs
Butter

S-33 The largest-selling dairy item in most supermarkets is ________. However, this product usually carries a rather low margin (8% to 12%).

R-33 Milk	S-34	In most supermarkets, the % of margin on Milk is relatively *(high...low)*, ranging from ____% to ____%. The % of margin on Eggs, Margarine, Ice Cream, and Butter ranges from 9% to 32%.
R-34 low 8% to 12%	S-35	Five high-demand dairy products account for about _____% of the Dairy Department's total dollar sales. The margins on these items range from 8% to 12% for __________, to a high of 24% to 32% for Ice Cream. (These margins will fluctuate by area, depending primarily on the cost of the merchandise from the manufacturers.)
R-35 80% Milk	S-36	Milk, Eggs, Margarine, Ice Cream, and Butter are five ________ - ____________ dairy items which account for about ____% of the Dairy Department's sales. The remaining 20% is contributed by semi-demand and impulse items. The four primary semi-demand items in most Dairy Departments in the order of their dollar sales are: Cream, Cottage Cheese, Bulk Cheese, and Process Cheese.
R-36 high-demand 80%	S-37	Cream, Cottage Cheese, Bulk Cheese, and Process Cheese are the four major ________ - ___________ dairy products in a typical supermarket. (In stores where all types of Cheese are considered as a single product group, Cheese would be classed in the high-demand category.)

R-37
semi-demand

S-38

The column at the right shows the approximate share of total dollar sales contributed by each of the four major semi-demand dairy items. Match the figures at the right with the items at the left.

______ Cream (a) 3%
______ Cottage Cheese (b) 5%
______ Bulk Cheese (c) 4%
______ Process Cheese (d) 2%

R-38
(b) 5%
(c) 4%
(a) 3%
(d) 2%

S-39

The approximate share of total Dairy Department sales accounted for by each of the 4 semi-demand dairy products is shown below. In the space provided, fill in the respective product group.

- ____________________ -- about 2%
- ____________________ -- about 4%
- ____________________ -- about 5%
- ____________________ -- about 3%

R-39
Process Cheese
Cottage Cheese
Cream
Bulk Cheese

S-40

The margins on the four ________ - __________ items in the Dairy Department range from about 20% to 37%.

R-40
semi-demand

S-41

Four semi-demand dairy items (____________, ______________ Cheese, __________ Cheese, and ______________ Cheese) account for about 14% of the total Dairy Department dollar sales at a relatively *(high... low)* margin of 20% to 37%. Impulse items in the Dairy Department account for about 6% of department sales.

R-41
Cream
Cottage (Cheese)
Bulk (Cheese)
Process (Cheese)
high

S-42 Some specialty Cheeses in the Dairy Department, instead of being classified as high-demand or semi-demand items, could be considered to be ______________ items.

R-42
impulse

S-43 Besides some special varieties of Cheeses, Refrigerated Biscuits, Cheese Dips, Buttermilk, Chilled Sliced Fruit Sections in glass jars, Molded Gelatin Desserts and Aerosol Dessert Toppings are also considered to be ____________ __________ in the Dairy Department. Generally, the % of margin on these items are about the same as, or greater than, the margins on semi-demand items (between 20% and 37%).

R-43
impulse items

S-44 It would be to a store's advantage to increase the sales of the impulse items in the Dairy Department because the % of margin on those items is generally *(higher...lower)* than on the high-demand items in the department. This can be done by effective merchandising in the Dairy Department.

R-44
higher

ELEMENTS OF EFFECTIVE DAIRY MERCHANDISING

S-45 The key elements of effective __________________ in the Dairy Department are attractive display and aggressive promotion.

R-45
merchandising

1. The Display of Dairy Items

S-46 The attractive display of items in the dairy display cases is important from the standpoint of customer convenience. Attractive ____________ is also important from the standpoint of achieving maximum sales in the department.

R-46
display

S-47 When considering the display of dairy items to provide greatest customer ____________ and maximum ________, two factors should be considered: the layout of the normal display cases and the location of feature items.

R-47
convenience
sales

S-48 Attractive display of dairy items means providing an adequate assortment of dairy products laid out for greatest ____________ ____________, in a manner that will draw shoppers through the entire department to achieve maximum sales.

R-48
customer
convenience

S-49 One method of laying out the display cases in the Dairy Department is to scatter the high-demand items throughout the department. In this way, all the semi-demand items and impulse items can be placed alongside one or other of the ________-__________ items.

R-49
high-demand

S-50 Since many shoppers intend to buy one or more of the high-demand items in the Dairy Department, many stores scatter these items ____________ the department, at both ends and in the middle of the flow of traffic.

R-50
throughout

S-51 A store is able to display more semi-demand and impulse items next to a high-demand item if it scatters the high-demand items throughout the department, at ________ ________ and in the __________ of the flow of traffic.

R-51 both ends middle	S-52	In some stores, high-demand dairy products are ______________________ (LOCATED WHERE?), at both ends and in the middle of the flow of traffic. This permits placement of more semi-demand and impulse items immediately next to (or above) one of the high-demand items. In other stores, all the high-demand items are shelved together at the end of the department.
R-52 scattered throughout the department	S-53	Positioning all the high-demand items together at the ______ of the flow of traffic tends to draw shoppers through the entire department and expose them to the many semi-demand and impulse items in the Dairy Department.
R-53 end	S-54	In many stores, the high-demand items in the Dairy Department are located ______________ ______________________ (WHERE?). In other stores using multi-tier display cases, high-demand items are often located on the bottom shelf, semi-demand items on the middle shelves, and impulse items on the top shelf, about eye level.
R-54 at the end of the flow of traffic	S-55	Stores using 1- or 2-tier display cases often either position all high-demand items at the end of the flow of traffic or scatter them throughout the department, at both ends and in the middle of the flow of traffic. Stores using 3-, 4-, or 5-tier display cases often position high-demand items on the ____________ shelf, semi-demand items on the ____________ shelves, and impulse items on the ______ shelf.

R-55
bottom
middle
top

S-56

Stores using multi-tier display cases often use the following shelf arrangement:

- ________-____________ items (such as Milk) on the ____________ shelf;
- ________-____________ items (such as Natural and Process Cheese) on the ____________ shelf; and
- ______________ items (such as Cheese Dips) on the ______ shelf.

R-56
high-demand ...
bottom
semi-demand ...
middle
impulse ... top

S-57

In many stores using multi-tier display cases in the Dairy Department, the top shelf is devoted to ______________ items, the middle shelves to ________-____________ items, and the bottom shelf to ________-____________ items. In other stores, high-demand items are shelved in a vertical arrangement in the center of the department, with semi-demand and impulse items on either side.

R-57
impulse
semi-demand
high-demand

S-58

Many supermarkets (particularly those with a two-way flow of traffic through the Dairy Department) shelve the high-demand dairy items in a vertical arrangement in the ____________ of the department, with semi-demand and impulse items on either side.

R-58
center

S-59

A common method of displaying items in the Dairy Department of a store with a two-way flow of traffic through the department is to position high-demand items in a vertical arrangement ________ ________________________ (WHERE?), with semi-demand and impulse items ______________ (WHERE?).

R-59
in the center of
the department
on either side

S-60

Four popular approaches to the layout of the normal display cases in the Dairy Department are:

- Scattering the high-demand items ______________________________, at both ends and in the middle of the flow of traffic, to expose shoppers to more semi-demand and impulse items.
- Positioning all the high-demand items together at the ______________________________, to draw shoppers through the entire department.
- Locating high-demand items on the __________ shelf of a multi-tier display case, semi-demand items on the __________ shelves, and impulse items on the ______ shelf.
- Grouping high-demand items in a vertical arrangement in the __________ of the department, with semi-demand and impulse items on either side.

Regardless of which approach a store uses, it can add "eye-appeal" to the department by grouping similar items according to color combinations.

R-60
throughout the
department
end of the flow
of traffic
bottom ... middle ...
top
center

S-61

Generally, similar types of items are shelved together by product group: Natural Cheeses, Process Cheeses, Cheese Spreads, etc. It's possible to gain eye-appeal in the department by grouping the items in each section according to __________ combinations. For example, all types of yellow Process Cheese, all types of white Natural Cheese, etc., may be grouped together.

R-61
color

S-62

To gain greater eye-appeal, many stores group similar dairy items within each section according to __________ ______________________.
Other stores separate items in each section to gain color contrast.

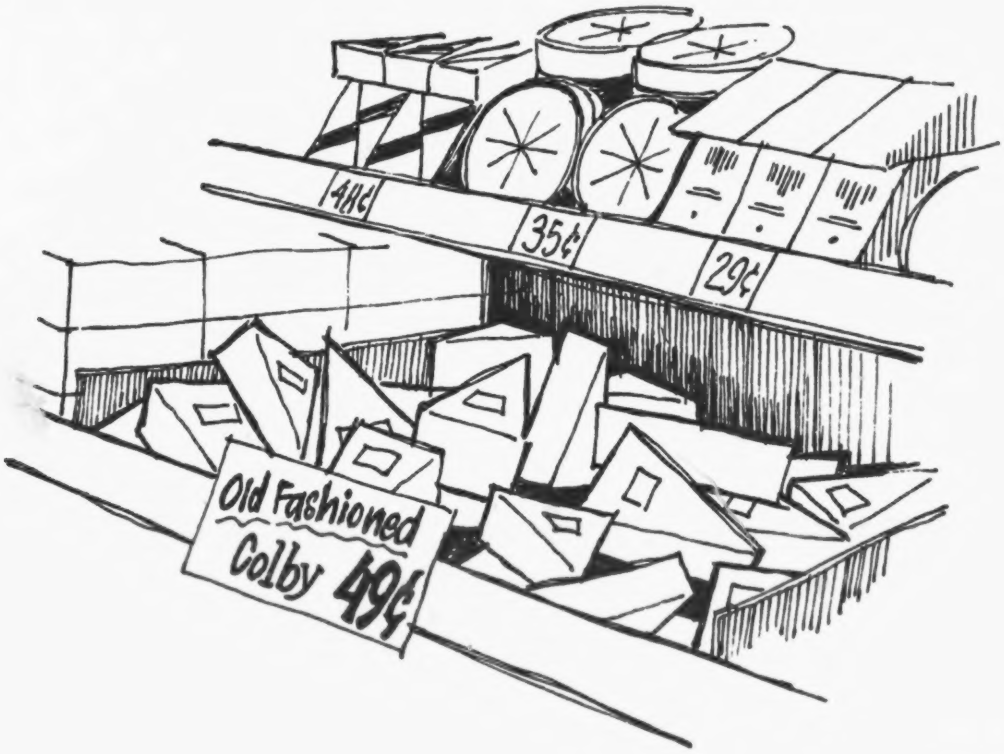
R-62 color combinations	S-63	The variety of different-colored items (particularly cheeses) makes the Dairy Department one of the most colorful departments in the supermarket. In many stores, different-colored items in each section are kept separate. For example, yellow and white types of Natural Cheese might be alternated to provide color ________________.
R-63 contrast	S-64	A Dairy Department where packages of sliced Camembert (white), Cheddar (yellow), and Limburger (cream) are displayed side-by-side could be said to provide good __________ ________________.
R-64 color contrast	S-65	A store might select a high-traffic location for the Dairy Department, implement an effective layout for the department, and add eye-appeal to the display cases by grouping items together within each section according to __________ ________________________ or by separating items by color to provide __________ ________________. However, aggressive promotion is also essential to stimulate sales and customer interest and ensure a successful department.
R-65 color combinations color contrast		2. The Promotion of Dairy Items
	S-66	Aggressive promotion of dairy items is an ingredient missing in some stores. This is true largely because the Dairy Department is such a ____________ contributor of sales and profits, even without aggressive promotion, that some store operators tend to take the department for granted.
R-66 stable	S-67	To stimulate sales and customer interest in the Dairy Department, ____________________ ________________ is essential. One excellent means of promoting the Dairy Department is through the use of special displays.

R-67
aggressive
promotion

S-68 Dump (or jumbled) displays are a type of ______________ display which can be effectively used in the Dairy Department.

R-68
special

S-69 Special displays (such as ________ or jumbled displays) can boost sales on the high-margin semi-demand and impulse items in the department such as Cheeses, Cheese Dips, Refrigerated Biscuits, Refrigerated Cookie Dough, and Dessert Toppings.

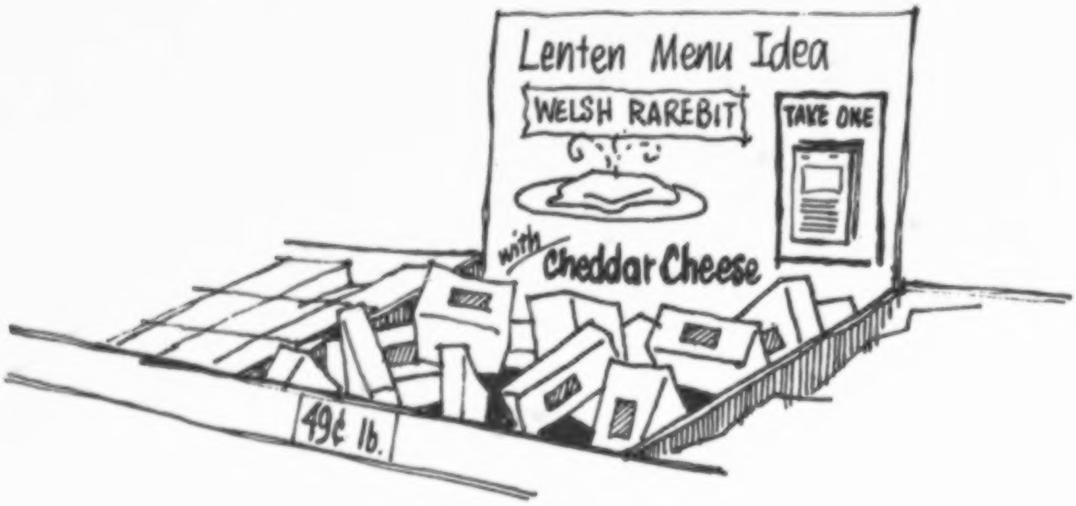


R-69
dump

S-70 Special ________________ help stimulate sales and customer interest in the Dairy Department. The use of shelf talkers, product spotters, signs and posters, and other merchandising materials also help stimulate sales and customer interest in the department.

R-70
displays

S-71 A wide variety of merchandising materials (such as shelf talkers, product spotters, signs and posters) can be used in the Dairy Department to stimulate ___________ and ________________ ________________ in the department.

R-71 sales (and) customer interest	S-72	Merchandising materials (such as __________ _______________, _______________ _______________, and signs and posters) have proved useful in stimulating sales and customer interest in the Dairy Department. Tie-in promotions with items from other departments are also effective in stimulating sales and customer interest in the department.
R-72 shelf talkers product spotters	S-73	Eggs displayed with Bacon or Pork Sausage; Milk with Cookies; Whipping Cream with Gelatins or Pies; Cheese with Macaroni, Ground Beef, Spaghetti, or Apple Pie; and Cream with Coffee, Berries and Pies -- all are possible ______-____ promotions which can be used in the Dairy Department.
R-73 tie-in	S-74	In addition to ______-____ promotions, recipe displays with dairy items and new ideas for preparing and serving them are effective in stimulating sales and customer interest in the Dairy Department.
R-74 tie-in	S-75	Many high-margin semi-demand and impulse items (such as Cheeses, Biscuits, Dips, Cream, and Dessert Toppings) can be sold by building ____________ displays with recipe information on a sign or poster and a "take one" pad.  Lenten Menu Idea WELSH RAREBIT TAKE ONE with Cheddar Cheese 49¢ lb.

R-75
recipe

S-76

Some effective promotion ideas in the Dairy Department are:

- The use of special ________________ of high-margin semi-demand and impulse items, as well as feature items.
- The use of ____________________________ materials (shelf talkers, product spotters, etc.).
- The use of ______-____ promotions with items from other departments.
- The use of ____________ ________________ presenting items with recipes for preparing them and ideas for serving them.

Still another way to promote sales and customer interest in the department is to provide taste samples.

R-76
displays
merchandising
tie-in
recipe displays

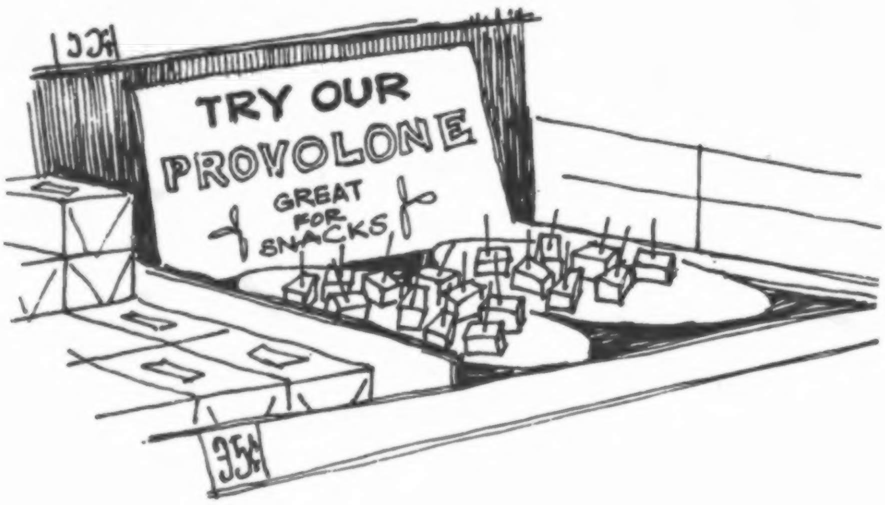
S-77

Providing Cheese Dips and Potato Chips, Crackers and Cheese, or small cubes of featured cheeses as taste ______________ is an extremely effective method of promoting dairy items.

R-77
samples

S-78

The use of __________ ______________ to give shoppers a chance to try a product before buying is an excellent way of creating impulse sales and stimulating customer interest in the Dairy Department.



R-78
taste samples

S-79 We have now seen five types of promotions for stimulating sales and customer interest in the Dairy Department:

- Special ________________ of high-margin impulse items and feature items.
- The use of ________________________________ (shelf talkers, product spotters, etc.).
- ______-____ ____________________ with items from other departments.
- ____________ ________________ to provide shoppers new ideas for preparing dairy items.
- __________ ______________ to give the shoppers a chance to taste a product before buying.

Now let's look at some of the major problems common to most Dairy Departments.

R-79
displays
merchandising materials
tie-in promotions
recipe displays
taste samples

MAJOR PROBLEMS IN THE DAIRY DEPARTMENT

S-80 Sanitation is one of the major problems in the Dairy Department. Keeping all the equipment in the department clean (the display cases, coolers, cheese cutting tools and tables, etc.) is one aspect of the problem of ____________________ in the Dairy Department.

R-80
sanitation

1. Sanitation

S-81 The decor of the Dairy Department is usually bright, with white or pastel-colored equipment and walls. It is especially important to keep this department __________ in order to maintain the attractive bright appearance.

R-81 clean	S-82	Sometimes the undersides of milk cartons and bottles pick up dirt from the floor of the delivery truck. If the undersides are not wiped clean before the bottles or cartons are put in the display cases, a problem of ____________________ can arise.
R-82 sanitation	S-83	Milk is usually a direct-delivered dairy item, and the suppliers' driver/salesmen often stock the display cases. If a driver/salesman is not careful, there is a danger that cartons and bottles with dirty undersides will be placed in the display case, creating a problem of ____________________.
R-83 sanitation	S-84	Dairy products have a tendency to produce odors -- some are the natural sharp odor of products such as Cheese and some are due to unnoticed breakage and seepage into the display case. Naturally this seepage creates a ____________________ problem if it is ignored or undetected. Thus, it is necessary to check and clean the display cases and equipment daily with a clean damp rag.
R-84 sanitation	S-85	Cleaning the Dairy Department display cases and equipment with a clean damp rag __________ (HOW OFTEN?) can be combined with the normal stock rotation operation.
R-85 daily	S-86	The display cases and equipment should be cleaned with ____________________________ (WHAT?) regularly, preferably __________ (HOW OFTEN?). This cleaning job can be coupled with the stock rotation operation and helps to maintain the normal bright appearance of the department. In addition, the display cases and equipment should be thoroughly scrubbed and disinfected with an odorless disinfectant at least once a week.

R-86
a clean damp rag

S-87 Because of the varied turnover rates between high demand, semi-demand and impulse items, it is rare that the dairy display cases are ever empty at any given time. Therefore it is easy to postpone the thorough scrubbing and disinfecting that should take place at least *(once a month ... once a week ... daily)*.

R-87
once a week

S-88 All of the dairy items should be removed and the display cases should be thoroughly ________________ and ______________________ with an odorless disinfectant at least once a week.

R-88
scrubbed (and)
disinfected

S-89 These simple precautions can be taken to prevent sanitation problems in the Dairy Department:

- Milk cartons and bottles with dirty undersides should be wiped off before they are put in the display cases.
- Spills from breakage and seepage should be wiped up immediately to prevent unpleasant odors.
- Display cases and equipment should be cleaned with a clean damp rag __________ (HOW OFTEN?).
- Display cases and equipment should be thoroughly scrubbed and disinfected at least ____________________ (HOW OFTEN?).

R-89
daily
once a week

S-90 In addition to the problem of ____________________, another major problem in the Dairy Department is that of damaged and outdated goods.

R-90 sanitation		2. Damaged and Outdated Goods
	S-91	Damaged and outdated goods is a major problem in the Dairy Department. Rough handling of dairy items (such as Milk and Eggs) can result in *(damaged ... outdated)* and oftentimes unsaleable merchandise.
R-91 damaged	S-92	It is relatively easy for customers to discover most ______________ goods at the point of sale; for example, a badly leaking carton of Milk would be quite evident upon picking it up.
R-92 damaged	S-93	Most dairy items that are ______________ by rough handling are easy to detect. The damage on some items, however, is not so easy to detect.
R-93 damaged	S-94	A badly-damaged, leaking carton of Milk would be easy for a shopper to detect if she picked it up. However, a slightly-damaged carton *(might ... might not)* be detected by the customer. This could irritate a customer if she bought the leaking carton only to have it soak the rest of her groceries in her shopping bag.
R-94 might not	S-95	A shopper would probably become irritated to discover when she arrived home that an item she had bought was slightly ______________. She would probably be even more irritated to discover that an item she had bought was not fresh, or was outdated merchandise.
R-95 damaged	S-96	Even if transparent packaging were used on all dairy items, it would be difficult for the average shopper to determine whether the items were fresh or were ______________.

R-96 outdated	S-97	Outdated dairy items *(would ... would not)* be evident when the packages are opened in the shopper's home, but *(would ... would not)* be evident at the store.
R-97 would would not	S-98	It is relatively easy for shoppers to discover most ______________ goods at the point of sale, but not so easy to discover ________________ goods.
R-98 damaged outdated	S-99	Most shoppers are not familiar with the code dates on dairy items. Therefore, it is important for the department personnel to detect and remove ________________ goods by proper stock rotation and by knowing code dates on dairy items.
R-99 outdated		3. Case Life and Stock Rotation
	S-100	It is easy for department personnel to see and remove ______________ goods from the display cases, but they must know how to read code dates to determine whether a dairy product is outdated.
R-100 damaged	S-101	Many manufacturers code-date their products, making it easy for store personnel to detect ________________ goods in the display cases and coolers.
R-101 outdated	S-102	Dairy Department personnel must know how to read manufacturers' ________ __________ and learn the case lives of their products so they can employ proper stock rotation procedures to ensure the freshness of products in the Dairy display cases.

R-102 code dates	S-103	The case lives of different dairy items vary considerably. Even for the same type of product, ________ __________ vary, depending on the manufacturer's process.
R-103 case lives	S-104	Generally, the ________ __________ for Dairy Department items range from a low of about 2 days for Milk to about 120 days for some Margarines.
R-104 case lives	S-105	The case life for Milk is about ____ days. The case lives of some Margarines are about ______ days, but Margarines with a Butter content have a shorter case life. Similarly, there is a difference in case life between Sweet Butter (12 days), and Salted Butter (25 days).
R-105 2 (days) 120 (days)	S-106	Margarine with a Butter content usually has a *(longer ... shorter)* case life than Margarine without a Butter content, and Salted Butter usually has a *(longer ... shorter)* case life than Sweet Butter.
R-106 shorter longer	S-107	There are variances in the case lives of Margarines with and without Butter, and there are variances in the case lives of __________ Butter and ____________ Butter. The case lives of Cheeses also vary, usually with hardness. Soft Cheese has a case life of about 7 to 14 days, whereas Hard Cheese has a case life of 1 month or more.
R-107 Sweet Salted	S-108	Normally, the case life of *(Hard...Soft)* Cheese is over twice that of *(Hard...Soft)* Cheese.

R-108 Hard Soft	S-109	If Dairy Department personnel know the ________ ________ of the dairy products handled and know how to read manufacturers' ________ ________, it is a matter of proper stock rotation to make sure that no outdated products reach the shopper.
R-109 case lives code dates	S-110	In order to avoid and/or detect damaged and outdated goods, proper ________ ________ procedures should be established, utilizing the code date and case life information usually available from suppliers' representatives.
R-110 stock rotation	S-111	During the ________ ________ operation: • The old merchandise should be removed from the display case, section by section; • Each section should be wiped clean with a damp cloth; • Code dates on the old merchandise should be checked; and • Damaged and outdated merchandise should be held aside and the good merchandise should be put back into the display case, with the older merchandise to the front of the case.
R-111 stock rotation		END OF SECTION II.

III. OPERATIONS OF THE DAIRY DEPARTMENT

Coordinating the ordering, receiving, handling, and storing of dairy items forms a base from which successful merchandising programs can be launched. The reward of such programs can be dynamic, rather than stable, contributions to store sales and profits by the Dairy Department.

ORDERING OF DAIRY PRODUCTS

Ordering dairy products in a supermarket can be a complex task because:

- There are extreme differences in the case lives of dairy products. For example, Milk has a case life of about 2 days versus about 5 to 10 days for Eggs and 3 months or more for some types of Cheese.
- Turnover rates vary considerably. The high-demand items turn over rapidly (some daily), while some impulse items have a much slower turnover rate. Recent studies show that over 72% of the dairy items sell less than one case per week.
- Often, five or more suppliers deliver dairy products to the store.
- Separate orders are usually made out for each supplier, usually when the supplier's driver/salesman is making a delivery of a prior order.

The varying case lives and turnover rates of dairy items, the multiple sources of supply, and the different ordering times for each supplier's goods makes the ordering of dairy products a complex function.

RECEIVING, HANDLING, AND STORING DAIRY PRODUCTS

Coordinating the ordering and receiving functions is important because driver/salesmen usually deliver a prior order on the same day they take an order for future delivery. Therefore, advance preparation is essential:

- Merchandise in inventory should be consolidated in the cooler and code-dated. Items in the display cases should also be checked to determine what must be ordered, and to make room for the arriving shipment. The "first-in, first-out" method should be followed.
- Turnover records should be checked to determine increases or decreases in the rates of sale of the dairy products about to be ordered.
- Advertising and promotion plans should be checked to ensure adequate stocks of items that will be featured or promoted.

The receiving operation begins when the ordered products are delivered. In many stores, the suppliers' driver/salesmen stock the display cases, in which case the Dairy Manager must supervise and check their work. For many items that are put directly into the display cases, little or no reserve stock is maintained in the cooler: Yeast, Cream Cheese and some types of Cheese, for example.

Whether they are put directly into the display cases or into the reserve cooler, all in-coming items should be:

- Counted and checked against the invoice.
- Grouped by category and by destination (Milk or Butter for the display cases or the storage cooler).
- Checked for damage.
- Inspected for freshness and code-dated (if not previously done by the manufacturer).
- Price-marked before being put into the display case.

The proper handling and storing of dairy products -- which is essential in maintaining the freshness and saleability of items -- starts when the products reach the store. It continues after products have been stocked in the display cases and until the items have been rung up and bagged at the check-out counters. Some essential procedures in handling and storing dairy items include:

- Using standard stock rotation procedures to prevent outdated goods in both the storage cooler and the display cases.
- Stocking display cases during slack shopping periods to reduce inconvenience to shoppers and interruptions by shoppers.
- Exercising extreme care in handling fragile dairy items (such as Eggs and Milk) to prevent breakage.
- Maintaining proper temperatures in the display cases and the storage cooler to prevent loss of freshness and spoilage.
- Keeping display cases and storage cooler clean to prevent odors from accumulating and to reduce opportunity for bacteria growth.
- Planning trips between the storage cooler and display cases to accomplish several tasks at the same time.

All these steps are important in reducing the cost of handling and storing dairy items and in maintaining the quality of products sold in the Dairy Department.

PRODUCT INFORMATION

As we saw, effective merchandising programs can make the Dairy Department a dynamic and significant contributor to overall store sales and profits. A starting point for such programs is a thorough knowledge of dairy products and their uses.

The following is some general information on the major dairy items. Hopefully, this information will stimulate a search for more product knowledge which in turn can be used to cultivate more Dairy Department sales.

✓ Milk. Milk is the most popular item in the Dairy Department and thus has the highest turnover of any dairy item. Because of this high turnover rate and a relatively short case life of about 2 days, Milk is usually processed and bottled close to the point of sale to consumers. Also, it is easier and less expensive to transport Milk in tank trucks to a close-in bottling plant than to ship bottled Milk long distances.

- Most Milk is homogenized, which means that the butterfat (between 3.2% to 3.8% butterfat content, depending on state law) has been broken into small particles and scattered throughout the Milk, where it remains in suspension for the life of the product. The butterfat in Milk that is not homogenized rises to the top of the bottle; the bottle of Milk must then be vigorously shaken to distribute the butterfat.

- Milk is also pasteurized. Pasteurization is a process of destroying harmful bacteria without affecting the flavor of the Milk. The Milk is heated to 143° Fahrenheit for 30 minutes, and then cooled to 50° F.

- Buttermilk is a fermented dairy product made either from the by-product of processing Butter, or from fresh Milk.

    -- Old-Fashioned Buttermilk is the by-product of turning Sour Cream into Butter. The whey (liquid) resulting is processed into Buttermilk.

    -- Sweet Cream Buttermilk is the by-product of Sweet Cream Butter.

    -- Cultured Buttermilk is produced by removing the Milk fat from fresh Milk and adding cultures to give a tart taste.

✓ Margarine. Most Margarine manufacturers use a combination of several of the following ingredients in their products -- Fresh Milk, Sweet Milk, Pastuerized Milk, Skim Milk, Vegetable Oils, Vitamin A Concentrate, Soy Bean Oil, Safflower Oil, Butter. The combination used in a particular brand of Margarine depends upon the type of Margarine being produced. There are premium high-priced Margarines, low-priced Margarines, and special diet-type Margarines, to name a few.

✓ Butter. Butter is a fresh all-dairy product. When shoppers buy Butter, they expect the ultimate in quality.

- A combination point and grade structure is used to denote the quality of Butter.

- Some manufacturers refer to the quality of their product in points. The point system of scoring is based on Flavor, Body and Texture, Color, Salt, and Package. A perfect Butter would be rated as follows:

Flavor	45 points
Body and Texture	25 points
Color	15 points
Salt	10 points
Package	5 points
Total	100 points

- Other manufacturers refer to the quality of Butter in terms of grade. The following list shows the corresponding point value for each grade.

Grade AA = 93 points and above
Grade A = 92 points
Grade B = 90 points
Grade C = 89 points (not sold as table Butter)

✓ Eggs. Eggs are graded according to size and quality, but the size or color of an egg has no bearing on its quality.

- Eggs should be kept refrigerated at a constant temperature to maintain quality. Extreme variances in temperature cause the Egg whites to become thin.

- Before Eggs are packed and shipped to a store for sale to consumers, their freshness is determined by a process known as candling. In this process, each Egg is held up to a bright light. The more light that comes through, the fresher the Egg.

- The freshness of an Egg can be determined by a shopper at home by immersing the Egg in a pan of cold water:
  - -- If the Egg rests on the bottom of the pan in a horizontal position (like a football resting on the ground), the Egg is fresh.
  - -- If the Egg is tilted, with the large end pointed down, the Egg is losing its freshness.
  - -- If the Egg floats to the top of the water, it is not fresh and should not be eaten.

- Eggs are classified by size according to their weight per dozen, as follows:

  - -- Jumbo ... 30 ounces per dozen, minimum weight.
  - -- Extra Large ... 27 ounces per dozen, minimum weight.
  - -- Large ... 24 ounces per dozen, minimum weight.
  - -- Medium ... 21 ounces per dozen, minimum weight.
  - -- Small or "Pullet" ... 18 ounces per dozen, minimum weight.
  - -- Peewee ... 15 ounces per dozen, minimum weight.

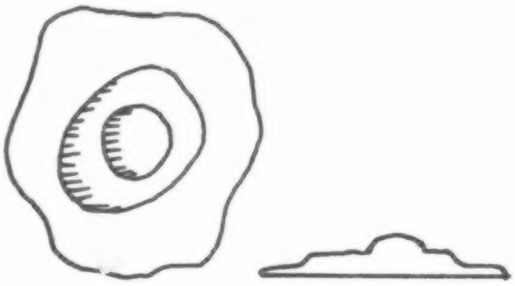
- The grades of Eggs include: AA, A, B, and C. Differences in grade can be seen when the Egg is broken and opened into a saucer or shallow dish:

  - -- Grade AA ... the spread is small in area and the yolk is firm and high. This grade is best for frying, poaching, or cooking in the shell.

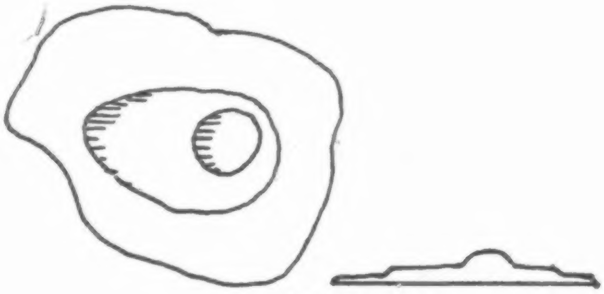
  - -- Grade A ... there is more spread, but the yolk is still firm and high. This grade is also good for frying, poaching, or cooking in the shell.

  - -- Grade B ... there is a considerable spread with a thin watery white; the yolk is flat and easily broken. This grade is fine for general cooking and scrambling.

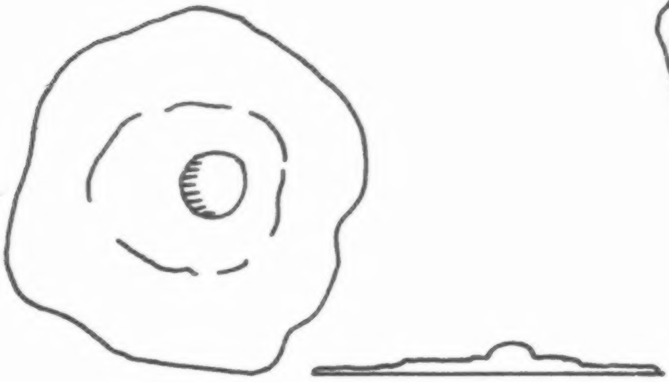
  - -- Grade C ... there is a great spread with a thin watery white; the yolk is flat and easily broken. This grade is good for general cooking and scrambling.



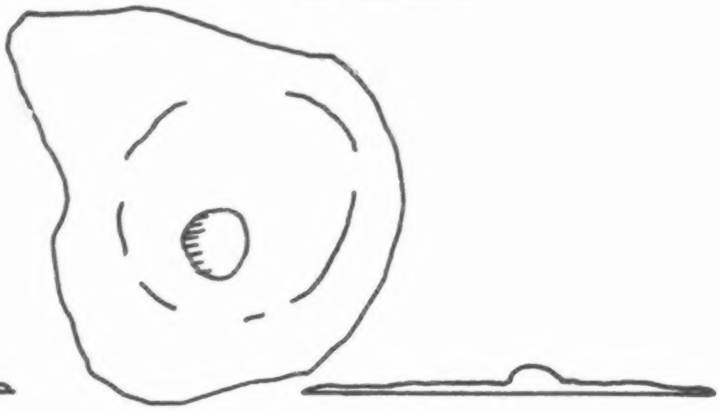
GRADE AA



GRADE A



GRADE B



GRADE C

√ Cheeses. The following list of popular Natural Cheeses is arranged according to FLAVOR (mild, mild-to-sharp, and sharp). The list shows the source of the raw material for the Cheese (Cow, Sheep, Goat, Reindeer), the place of origin, the texture (soft, hard), and the primary uses of each type:

MILD CHEESES

Type (and Place of Origin)	Source	Texture	salad	sandwich	buffet	dessert	grating	snack	cooking
Blue Cheese (France)	cow	hard	x	x	x	x		x	
Brie (France)	cow	soft			x	x		x	
Camembert (France)	cow	soft			x	x		x	
Cottage Cheese (Europe)	cow	soft	x		x	x		x	
Cream Cheese (America)	cow	soft	x	x	x	x		x	x
Edam (Holland)	cow	semi-hard	x	x	x	x		x	x
Gammelost (Norway)	cow	semi-hard			x			x	
Gouda (Holland)	cow	semi-hard	x	x	x	x		x	x
Gruyère (Switzerland)	cow	hard		x	x				
Jack Cheese (America)	cow	semi-hard		x	x			x	
Lapland (Finland)	reindeer	hard			x			x	
Leyden (Holland)	cow	hard		x	x			x	
Muenster (Germany)	cow	semi-soft		x	x			x	
Myost (Scandinavia)	cow	soft		x	x				
Neufchatel (France)	cow	soft		x	x			x	
Pineapple (America)	cow	hard		x	x				
Port du Salut (France)	cow	semi-soft			x			x	
Romano (Italy)	cow, goat, sheep	semi-hard					x		x
Roquefort (France)	sheep	semi-soft	x		x	x		x	
Samsoe (Denmark)	cow	semi-soft		x	x				
Stilton (England)	cow	hard	x		x	x			
Swiss (Switzerland)	cow	semi-soft	x	x	x			x	

MILD-TO-SHARP CHEESES

Type (and Place of Origin)	Source	Texture	salad	sandwich	buffet	dessert	grating	snack	cooking
American Cheddar	cow	hard	x	x	x	x	x	x	x
American Colby	cow	hard	x	x	x	x	x	x	x
Brick Cheese (America)	cow	semi-soft		x	x			x	
Gorgonzola (Italy)	cow	semi-hard	x		x	x		x	
Holstein (Germany)	cow	semi-hard			x			x	
Limburger (Belgium)	cow	soft		x				x	
Mozzarella (Italy)	cow	semi-soft			x			x	x
Noekkelost (Scandinavia)	cow	semi-hard		x	x				
Provolone (Italy)	cow	hard		x	x			x	x
Scamorze (Italy)	cow	semi-soft			x			x	x
Scanno (Italy)	sheep	soft		x	x	x			

SHARP CHEESES

Chesire (England)	cow	hard			x		x		x
Club Cheeses (Canada)	cow	soft		x	x	x		x	
Parmesan (Italy)	cow	hard	x				x		x
Sapsago (Switzerland)	cow	hard					x		x
Sbrinz (Switzerland)	cow	hard		x	x		x		

The above charts present some basic information on Cheeses. This is by no means a comprehensive gathering of all the information available on Cheeses, but it can serve as the basis for acquiring more information.

Some of the information from the above charts could be used on small shelf cards; for example, the card might read: Holstein Cheese ____¢/lb. --

an excellent cheese for
buffet or snack

Surprisingly, this small bit of information can create impulse sales. Impulse sales, of course, are a prime means of increasing profits in the Dairy Department.

SELF-QUIZ

Self-Study Unit #9

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you have just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (TRUE or FALSE) Nearly 80% of the Dairy Department's dollar sales are accounted for by a few high-demand items. (I-1) __________

2. (CIRCLE THE CORRECT ANSWER) In most supermarkets, the Dairy Department is located (in the center ... along the perimeter) of the store. (I-1)

3. (TRUE or FALSE) Locating the Dairy Department on both sides of an aisle tends to create congestion during peak shopping periods. (I-3) __________

4. (TRUE or FALSE) High-demand dairy items are usually grouped together at the beginning of the traffic flow into the department. (I-5) __________

5. (TRUE or FALSE) Bulk Cheese is usually cut and wrapped at the store. (I-7) __________

6. (CIRCLE THE CORRECT ANSWER) The Dairy Department has the (highest ... second-highest ... lowest) dollar sales per square foot and the (highest ... second-highest ... lowest) unit sales per square foot of any department. (II-2, S-5)

7. The average gross margin for the Dairy Department is about ____%. (II-3, S-9)

8. (TRUE or FALSE) The Dairy Department's turnover rate is higher-than-average, but the % of margin is lower-than-average. (II-3, S-10) __________

9. Annual rate of turnover in the Dairy Department is about: (II-3, S-12)

   ☐ 20 turns per year
   ☐ 41 turns per year
   ☐ 58 turns per year
   ☐ 125 turns per year

10. (CIRCLE THE CORRECT ANSWER) Sales per man hour in the Dairy Department are the (highest ... lowest) for any department. (II-4, S-16)

11. About how many shoppers buy at least one dairy item? (II-5, S-19)

    ☐ 41 out of every 100
    ☐ 78 out of every 100
    ☐ 54 out of every 100
    ☐ 93 out of every 100

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 10

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Frozen Foods Department

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations :

Unit #1 -- "The Grocery Industry . . . Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #10

Frozen foods are unique in the variety offered within one department: from prepared dinners to baked goods, from meat to fruits and vegetables. A list of the offerings of the Frozen Foods Department includes items found in almost every other department of the store.

Because of the variety of its offerings and the relative newness of freezing as a method of food preservation, the Frozen Foods Department has unique problems to face. Although some supermarkets are taking advantage of their profitability, most experts believe that frozen foods in the average supermarket have not as yet reached the level of sales they could be enjoying with increased promotional activity.

In this Unit, we will study the place of frozen foods in the supermarket:

Section I. THE SCOPE OF THE FROZEN FOODS DEPARTMENT

- A. Location and Layout of the Frozen Foods Department
- B. Personnel in the Frozen Foods Department
- C. Share of Total Sales by Product Group

Section II. THE FROZEN FOODS DEPARTMENT IN THE MODERN SUPERMARKET

- A. Importance of the Frozen Foods Department
- B. Product Management in the Frozen Foods Department
- C. Elements of Effective Frozen Foods Merchandising
- D. Major Problems in the Frozen Foods Department

Section III. OPERATIONS OF THE FROZEN FOODS DEPARTMENT

- A. Receiving, Handling, and Storing Frozen Foods
- B. Price-Marking and Bagging Frozen Foods
- C. The Development of Frozen Foods

I. THE SCOPE OF THE FROZEN FOODS DEPARTMENT

The Frozen Foods Department acts as an extension of the Grocery, Produce, Meat, and Bakery Departments, lengthening the shelf life or case life of a wide variety of different foods -- many of which would be very perishable if not frozen. Most frozen foods maintained at the proper temperature stay fresh for months, not days!

Unlike any other department in the supermarket, the Frozen Foods Department's sales volume is dependent not only on the store's own storage and display facilities, but also on the size and operating condition of its customers' freezers. Most older refrigerators and apartment-sized refrigerators have small freezer-compartments, meaning that customers have little space in which to store frozen foods. On the other hand, people with separate freezers or large freezer-compartments can make use of more types of frozen food and discover for themselves the convenience of ready-prepared dishes and the taste of food captured at the peak of flavor.

In general, it can be assumed that higher-income families have better facilities for storing frozen foods and can afford the higher-priced convenience foods and fancy prepared foods sold in the Frozen Foods Department. In fact, recent studies indicate that over 50% more customers buy frozen foods in stores serving middle- to high-income families than in stores serving middle- to low-income families! However, the department offers items in a wide variety of price ranges. And, because it can be made to appeal to different economic groups, the Frozen Foods Department can play an important part in creating a distinctive store image.

LOCATION AND LAYOUT OF THE FROZEN FOODS DEPARTMENT

Because of the large number of impulse and specialty items stocked in the Frozen Foods Department, it is important that the department be located and laid-out in such a way as to achieve maximum sales and customer convenience.

1. Location of the Department

Most customers are aware that keeping frozen foods out of the freezer too long will cause them to begin thawing and affect their quality. For this reason, if the Frozen Foods Department were placed near the beginning of the store traffic flow, customers would probably hesitate to pick up their frozen foods first. Instead, they would either skip the department entirely or return there after they had completed their other shopping so that the frozen items stay out of the freezer for as short a time as possible.

To prevent loss of sales and inconvenience to customers, most supermarkets therefore locate their frozen foods toward the end of the traffic flow so that the Frozen Foods Department will be one of the customers' last stops before checking out.

Placing the Frozen Foods Department near the end of the store traffic pattern not only helps preserve quality by reducing the possibility of thawing, but also provides shoppers with a final chance to purchase desired foods which may not be available fresh at the time. Easy access to the back room storage freezer is also a factor in locating the department, because getting food from the storage freezer to the display cases as fast as possible is important in preserving its quality.

Two popular locations for the Frozen Foods Department are on the last aisle (SEE DIAGRAM A) or on an inside aisle nearest the check-out counters (SEE DIAGRAM B). Although both these locations satisfy the requirement of proximity to the check-outs, the first is often preferred because of the greater customer traffic along the perimeter of the store.

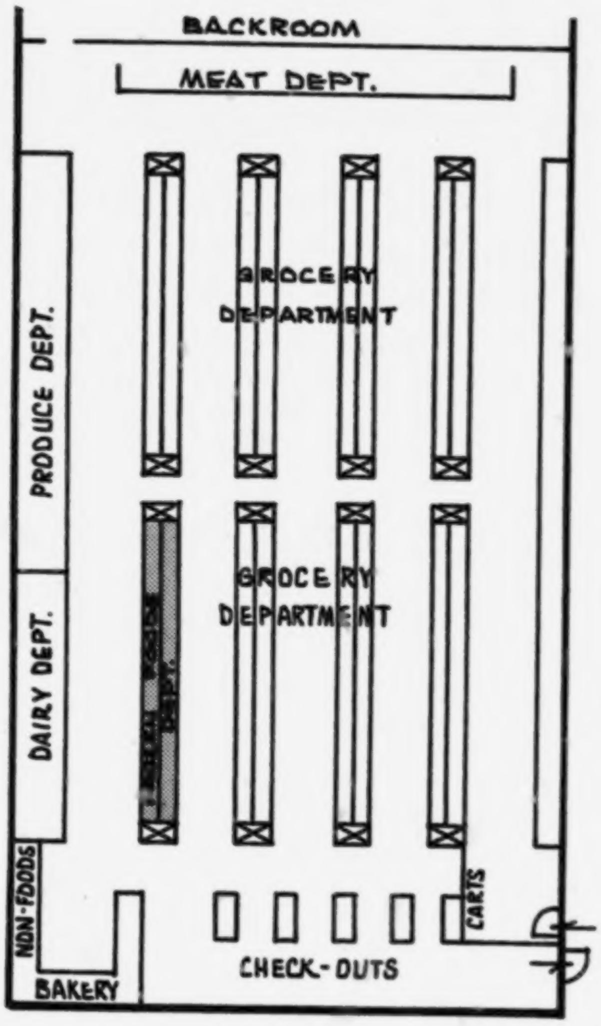

BACKROOM
MEAT DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
PRODUCE DEPT.
DAIRY DEPT.
FROZEN FOODS DEPT.
NON-FOODS
BAKERY
CARTS
CHECK-OUTS

DIAGRAM A

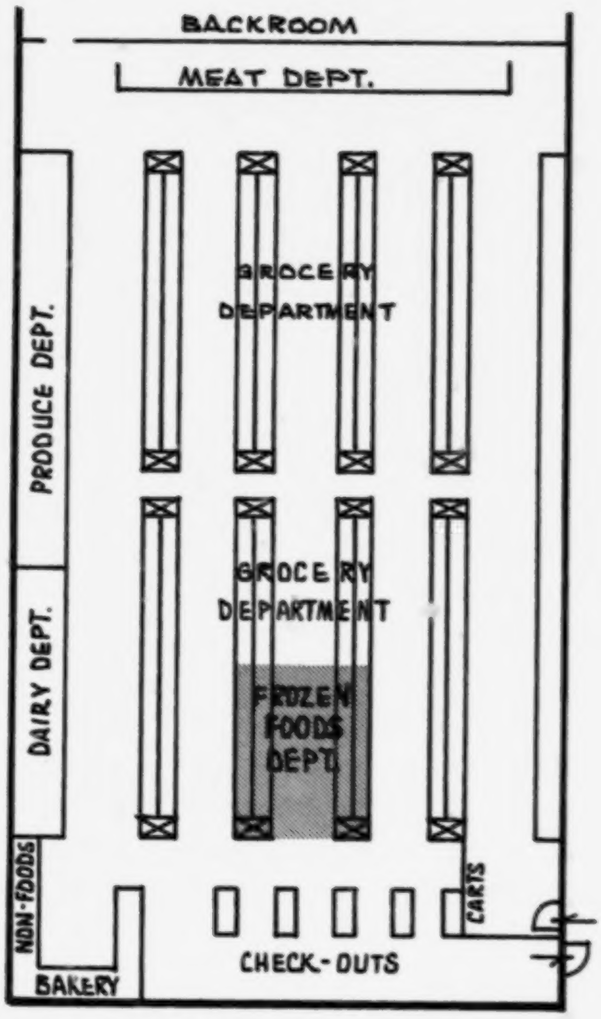

BACKROOM
MEAT DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
FROZEN FOODS DEPT.
PRODUCE DEPT.
DAIRY DEPT.
NON-FOODS
BAKERY
CARTS
CHECK-OUTS

DIAGRAM B

In stores where the Produce Department is located toward the end of the store traffic flow, the Frozen Foods Department is often located across from the Produce Department. (SEE DIAGRAM C) In this arrangement, customers are more easily drawn to the department in search of substitutes for produce items which they cannot obtain fresh -- out-of-season fruits and vegetables.

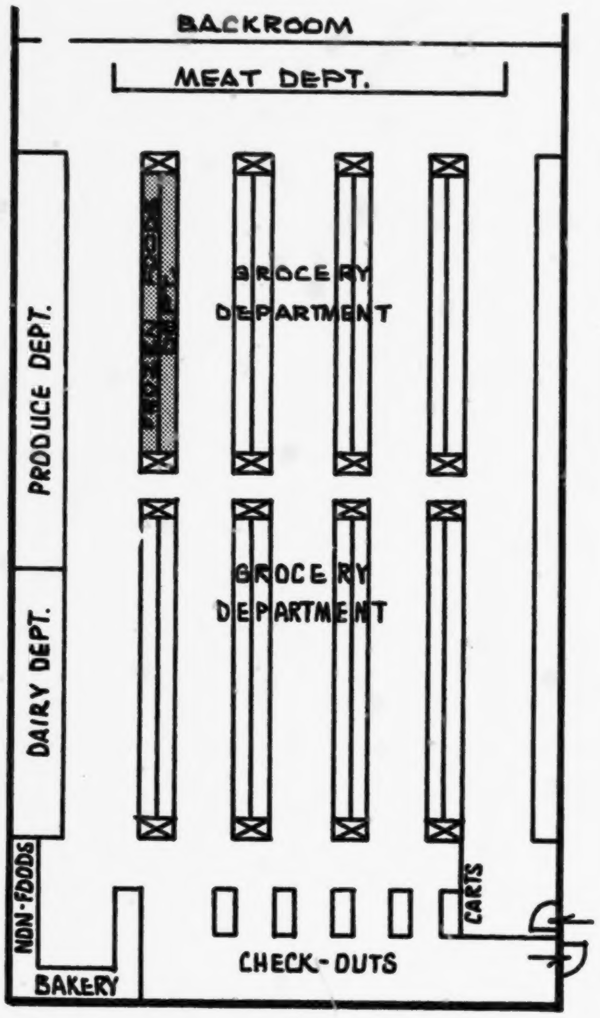


DIAGRAM C

2. Layout of the Department

The layout of the department depends mainly on the space available, on how large a part frozen foods play in the store's merchandising plans, and on the type of equipment used. Although there is wide variation from store to store in the amount of space devoted to frozen foods and although the economic status of the community is a prime factor in the store's merchandising approach to frozen foods, there are display cases available to fit the needs of any store. For example, a store may use separate freezers to keep frozen meats near the fresh meats. Special movable freezers or "spot" freezers may also be used for tie-in promotions in connection with other departments.

Improvements in the design of frozen foods display cases have been important in gaining consumers' and retailers' acceptance of frozen foods. Not too many years ago, frozen foods were "displayed" in bulky, un-lighted reach-in freezers with thick insulated walls and heavy hinged or sliding lids. Now, frozen foods are displayed in the open and within easy reach of customers in attractive, cheerful freezer cabinets.

As is true of other types of display cases and shelving units in the supermarket, the trend today seems to be from horizontal to vertical display of frozen foods. By taking advantage of the additional space available above reach-in freezer cabinets, and by using vertical freezers, a store can increase the number of cubic feet of frozen foods capacity per square foot of floor space in the department.

The following are the major types of frozen food cases commonly used in supermarkets today:

- Standard wall-type freezer. This type of front-loading freezer is used either along an outside wall or in a back-to-back arrangement. (SEE DIAGRAM D) The top of the case is used for displaying grocery items. It is a deep case -- about 12 to 17 inches from bottom to load limit line -- often with a slanted mirror for full-case visibility. Since most items are usually given a row of facings across the 25- to 35-inch width of the case, the opportunity for new products is not very great because a whole row of another item would have to be removed to make room for a new item.

  This type of display case is also available with two or three adjustable shelves (instead of the slanted mirror) for displaying non-frozen items. (SEE DIAGRAM E)

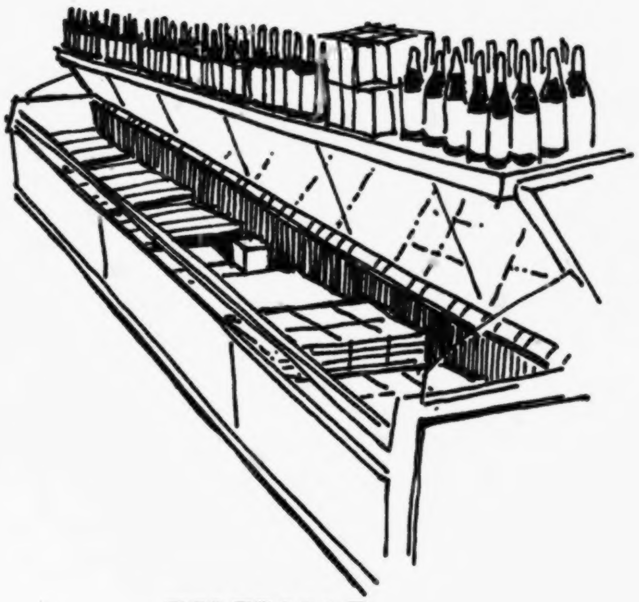


DIAGRAM D

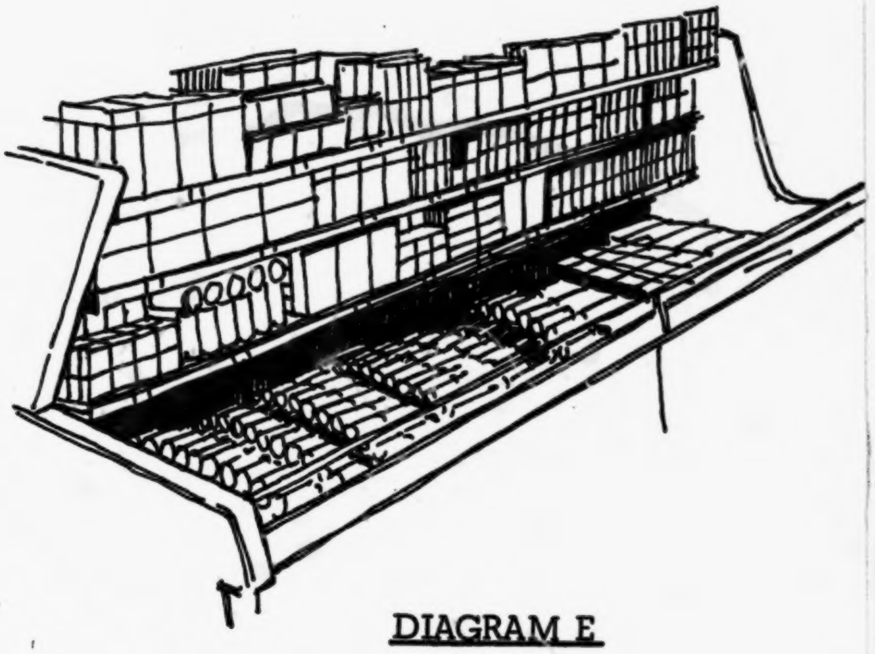


DIAGRAM E

- Island freezer. This type of freezer opens on two aisles, allowing double access to customers in order to help eliminate bottlenecks. (SEE DIAGRAM F) It is usually wider than the front-loading case. Besides allowing two facings of each item, the island freezer may have one or more tiers of shelves in a "T"-shape above it for displaying related items or groceries. (SEE DIAGRAM G)

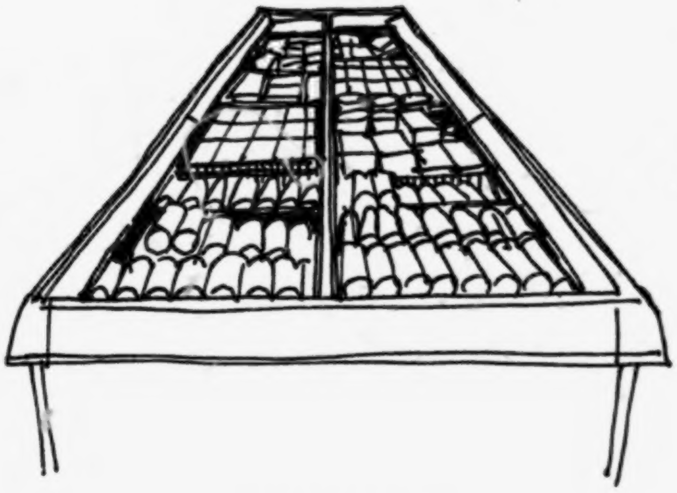


DIAGRAM F

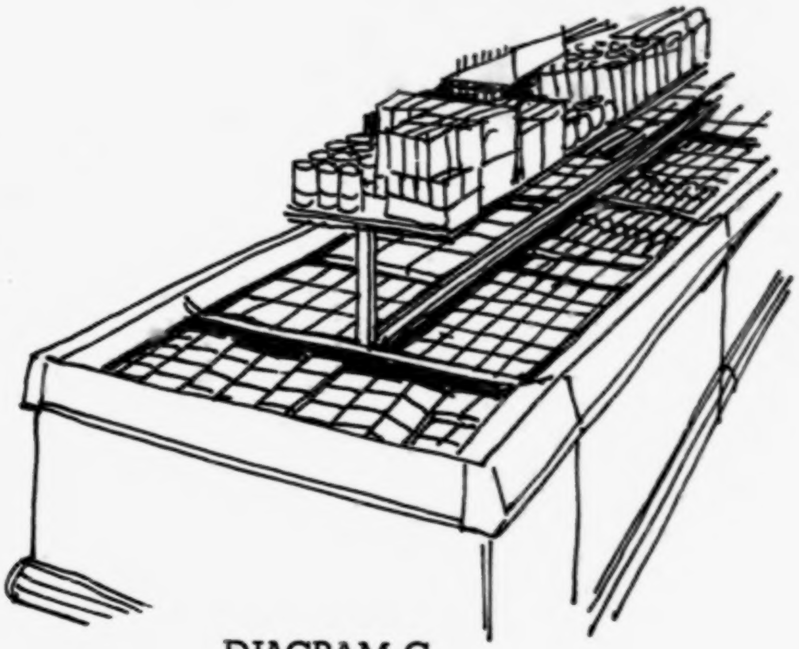


DIAGRAM G

- Multi-tier freezer cabinet. This two-, three-, or four-shelf freezer without doors utilizes vertical and horizontal shelving of frozen foods. (SEE DIAGRAM H) While expensive to purchase and operate, it gives supermarkets with large volume a high number of items per square foot of floor space devoted to frozen foods and permits smaller stores to offer a wide selection of frozen items in limited space, thus enabling them to be competitive from the standpoint of variety.

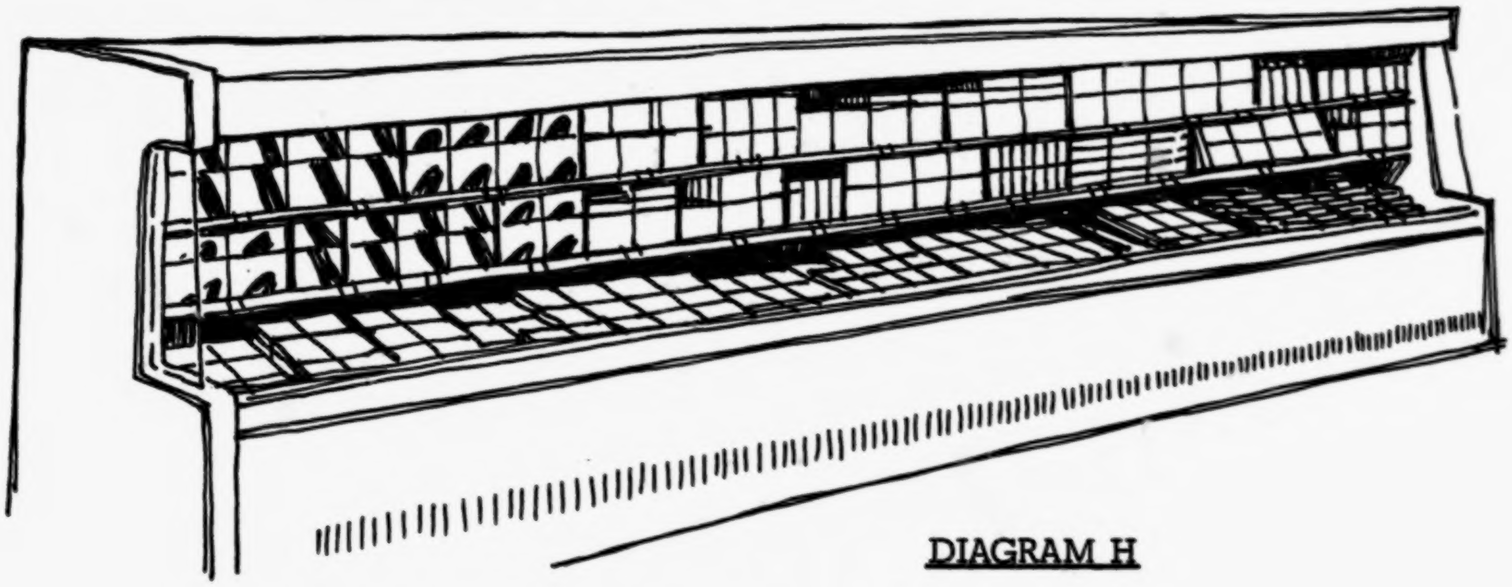


DIAGRAM H

- Upright freezer. Besides having a large capacity, the upright freezer with with doors is economical to operate because it reduces the exposure of products to warm air in the store. (SEE DIAGRAM I) Also, this type of freezer has a lower initial cost than open freezers and provides space for more facings per square foot of floor area. However, the glass doors have a tendency to "cloud" (thus reducing product visibility) and some shoppers find it difficult to shop the upright freezer because they do not feel at home using it.

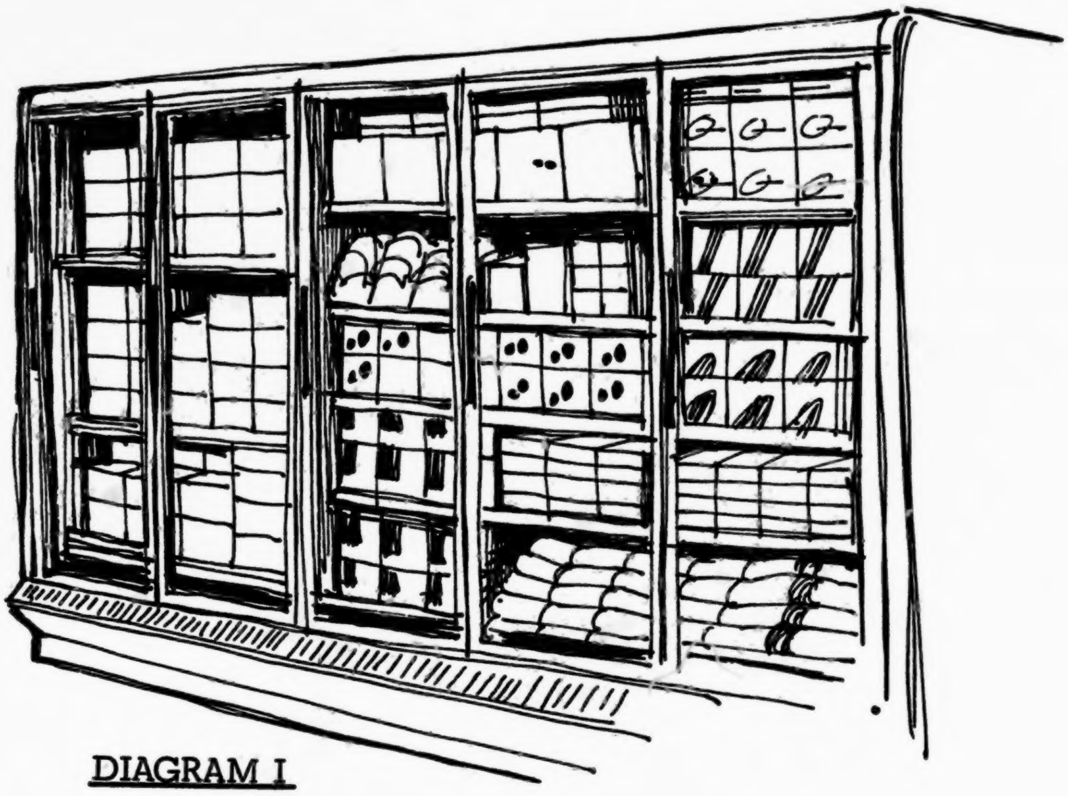


DIAGRAM I

- Spot freezer. This type of freezer is small enough to be used any place in the store. (SEE DIAGRAM J) It is usually used for end-aisle displays or for tie-in promotions with products in other departments. Some spot freezers are mounted on rollers so they can be easily moved from department to department.

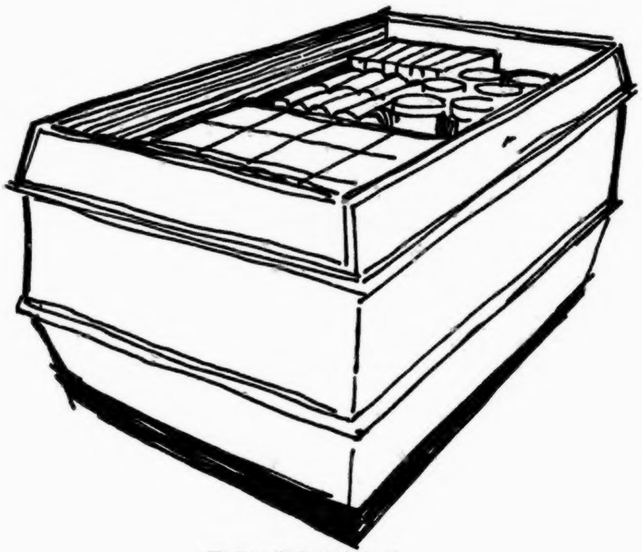


DIAGRAM J

3. Arrangement of Products in the Display Cases

A particular store's method of arranging frozen foods in the display cases will depend mainly on the types of freezers used in the store. However, as a general rule, most stores group simular types of products together by end-use. Thus, the various main-course items (Meat Dinners, Meat Pies, Prepared Foods, etc.) are usually grouped together in one section or in one freezer, the various types of dessert items (Fruit Pies, Frozen Pastries, and Fruits) are grouped together in another section or in another freezer, and so on.

Besides grouping like products together by end-use, many supermarkets also attempt to scatter the high-demand items throughout the department or within a section. This permits placement of impulse items and specialty items on both sides of the major high-demand items or product categories. For example:

- In stores where frozen foods are displayed in one long row, it is common practice to display the two fastest-selling product categories (Frozen Juices and Vegetables) at the ends of the freezer and the third fastest-selling product group in the middle. This helps to draw customers into the department and past the impulse and specialty items. (SEE DIAGRAM K)
- In stores where two long freezers are used, the three fastest-selling product categories are often staggered on either side of the aisle to achieve a criss-cross traffic pattern and expose as many shoppers as possible to the impulse items in the department. (SEE DIAGRAM L)

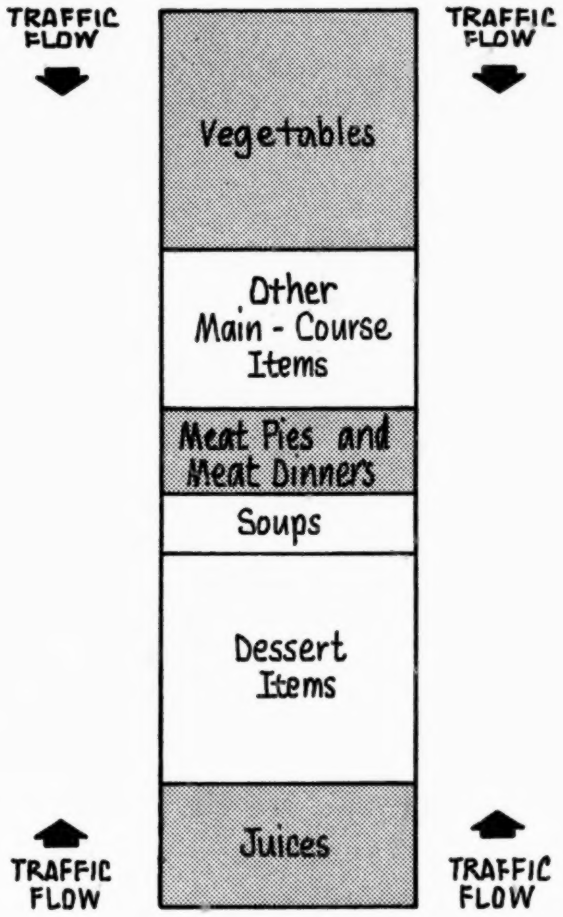

TRAFFIC FLOW
TRAFFIC FLOW
Vegetables
Other Main - Course Items
Meat Pies and Meat Dinners
Soups
Dessert Items
Juices
TRAFFIC FLOW
TRAFFIC FLOW

DIAGRAM K

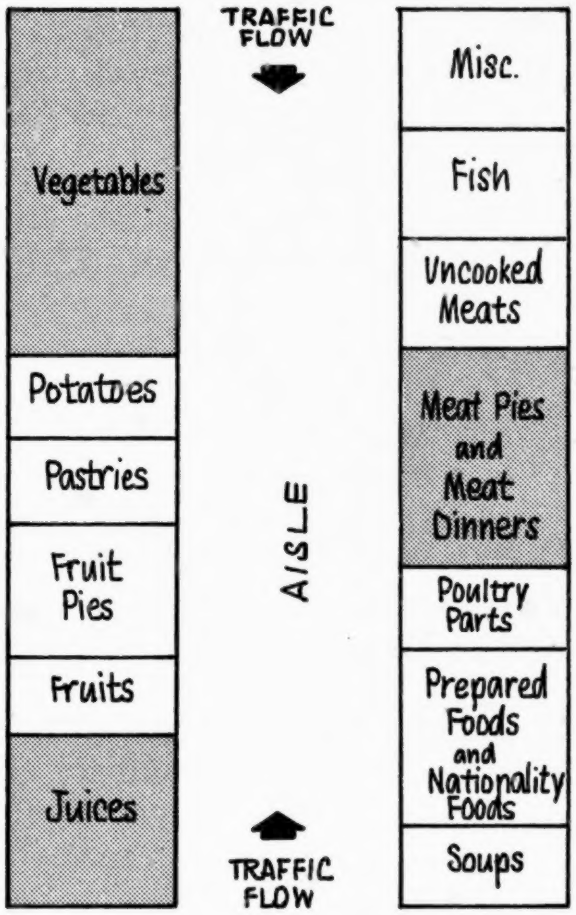

TRAFFIC FLOW
Vegetables
Potatoes
Pastries
Fruit Pies
Fruits
Juices
AISLE
TRAFFIC FLOW
Misc.
Fish
Uncooked Meats
Meat Pies and Meat Dinners
Poultry Parts
Prepared Foods and Nationality Foods
Soups

DIAGRAM L

PERSONNEL IN THE FROZEN FOODS DEPARTMENT

Except in very large supermarkets, there is generally no Frozen Foods Manager as such because the department volume may not justify a full-time employee. Thus, in many cases, one person is responsible for both the Frozen Foods Department and the Dairy or Baked Goods Department.

A change of just a few degrees in product temperature can cause frozen items to begin thawing and can result in a loss of quality and flavor. As a result, the person in charge of the Frozen Foods Department (regardless of what his title might be) must be reliable, conscientious, and constantly alert. He must be depended upon to check the temperatures of the backroom freezer and the display cases regularly and see that the items in the display cases are stocked to the proper level to maintain quality. He must be able to work quickly when price-marking items and re-stocking the display cases to prevent thawing. He must be alert to maintain the correct number of facings for each item in the display cases to achieve maximum sales. And, he must do all these things in addition to the normal responsibilities in any department -- checking inventory, ordering, etc.

SHARE OF TOTAL SALES BY PRODUCT GROUP

In most stores, frozen foods are grouped by type into fifteen major product categories. These product categories are shown below, together with the approximate percentage of total department dollar sales for each category. Obviously, the actual percentage of total department sales for any product category in a particular store may vary considerably from the figures given

Product Category	% of total dollar sales	Product Category	% of total dollar sales
Frozen Juices	25%	Potatoes	4%
Vegetables	20%	Frozen Fruits	3%
Meat Dinners	10%	Uncooked Meats	2%
Frozen Fish	9%	Prepared Foods	2%
Fruit Pies	8%	Poultry Parts	1%
Pastries & Baked Goods	6%	Soups	*
Nationality Foods	6%	Pet Foods	*
Meat Pies	5%	* = Less than 1%	

As we can see here, two of the fifteen product categories (Frozen Juices and Vegetables) account for about half the total dollar sales in the Frozen Foods Department of a typical supermarket. Obviously, these are the greatest high-demand categories in the department!

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE FROZEN FOODS DEPARTMENT IN THE MODERN SUPERMARKET

IMPORTANCE OF THE FROZEN FOODS DEPARTMENT

S-1 In many ways, the Frozen Foods Department is a separate store within a store. Grouped together in one department are a wide variety of foods including meat, vegetables, fruits, bakery goods, and prepared foods. With the exception of the Grocery Department, no other department in a supermarket contains such a ________ ____________ of foods.

R-1
wide variety

1. Space allocation, sales, and profits of the Department

S-2 Although it offers a ________ ____________ of items, the Frozen Foods Department is one of the smallest departments in a typical supermarket.

R-2
wide variety

S-3 The Frozen Foods Department in a typical supermarket accounts for about:

- 4% of total selling space;
- 4% of total number of items; and
- 4% of total unit sales.

These figures indicate that the Frozen Foods Department is relatively *(small ... large)* compared to the other major departments in the supermarket. (CIRCLE THE CORRECT WORD)

R-3
small

S-4 (TRUE or FALSE) The Frozen Foods Department is one of the smallest departments in a typical supermarket, accounting for only about 4% of the typical supermarket's total selling space, total number of items, and total unit sales. ________

R-4 True	S-5	The typical Frozen Foods Department accounts for only about ____% of the store's total selling space, number of items, and unit sales in the supermarket. The department also accounts for about 4% of the total dollar sales and about 5% of the total gross profit dollars.
R-5 4%	S-6	In view of the fact that the Frozen Foods Department accounts for about ____% of the typical supermarket's total dollar sales and about ____% of the store's total gross profit dollars, we can conclude that the % of gross margin in the department is slightly *(higher ... lower)* than the store average. (CIRCLE THE CORRECT WORD)
R-6 4% 5% higher	S-7	Despite the relatively small size of the average Frozen Foods Department (about ____% of a store's total selling space, number of items, unit sales, and dollar sales), its % of gross margin is the second-highest of the six major departments.
R-7 4%	S-8	The Frozen Foods Department's gross margin of about 27% ranks *(high ... low)* among the six major departments in the typical supermarket. (CIRCLE THE CORRECT WORD)
R-8 high	S-9	Frozen foods yield a relatively high % of gross margin -- about ____%. Of the six major departments, only the Produce Department has a higher gross margin (about 28%).
R-9 27%	S-10	(TRUE or FALSE) The Frozen Foods Department has the second-highest % of gross margin in a typical supermarket. __________

R-10 True	S-11	The Frozen Foods Department is a good candidate for promotional activites because of its high gross margin of about ____%. Also, its annual rate of turnover (about 39 turns per year) is higher than the store average (about 28 turns), but is second-lowest of the six major departments.
R-11 27%	S-12	(TRUE or FALSE) The annual rate of turnover in the Frozen Foods Department is higher than the store average, but its % of gross margin is lower than the store average. __________
R-12 False	S-13	The Frozen Foods Department has the second-lowest annual rate of turnover -- about ____ turns, compared to about 20 turns for the Grocery Department and about 28 turns for the store as a whole.
R-13 39 (turns)	S-14	Although the Frozen Foods Department has a higher % of __________ ____________ and a higher annual rate of ________________ than the store average, frozen foods take longer to price-mark and shelve than many other items.
R-14 gross margin turnover	S-15	Frozen foods take *(more ... less)* time to price-mark and shelve than dry groceries, for example. Thus, labor costs as a per cent of dollar sales in the Frozen Foods Department are higher than in other departments except the Meat and Produce Departments.
R-15 more	S-16	(TRUE or FALSE) The Frozen Foods Department's labor costs as a per cent of dollar sales are generally higher than the Grocery, Dairy, and Baked Goods Departments', but lower than the Meat and Produce Departments'. __________

R-16
True

S-17 Since frozen foods take relatively long to __________-________ and ____________, the Frozen foods Department has a relatively *(high ... low)* labor cost in relation to total dollar sales of the department.

R-17
price-mark (and)
shelve
high

S-18 Price-marking and shelving frozen foods take *(more ... less)* time than dry groceries. As a result, __________ __________ as a per cent of total dollar sales are higher for frozen foods than for dry groceries.

R-18
more
labor costs

S-19 In review, then, we've seen that the Frozen Foods Department has a relatively *(high ... low)* labor cost as a per cent of its total dollar sales, and also:

- Is one of the *(largest ... smallest)* departments in the supermarket in total selling space, number of items, and unit sales.
- Provides the second-highest % of gross margin -- about ____%.
- Has the second-lowest annual rate of turnover -- about ____ turns per year.

The relatively low rate of turnover is evidenced by the fact that only 1 out of every 4 shoppers who enter the store buys at least one frozen food item.

R-19
high
smallest
27%
39 (turns)

2. Consumer Attitudes toward the Frozen Foods Department

S-20 About 4 out of every 5 customers purchase at least one item from the Meat Department. In contrast, only ____ out of every ____ customers purchases at least one item from the Frozen Foods Department.

R-20 1 (out of) 4	S-21	The fact that a relatively *(small ... large)* percentage of customers make a purchase from the Frozen Foods Department indicates the tremendous opportunity for increased sales in the department.
R-21 small	S-22	Only about ____________________ (WHAT PORTION?) of the shoppers on any given shopping trip in a typical supermarket buy at least one frozen food item. In fact, studies indicate there has been little increase in the percentage of families buying frozen foods in recent years, but those who buy have been buying more.
R-22 1 out of every 4	S-23	(TRUE or FALSE) Families that regularly buy frozen foods tend to buy less frozen foods today than a few years ago. __________
R-23 False	S-24	Those American families that regularly use frozen foods items buy *(less ... the same amount ... more)* frozen foods than previously, mainly because they appreciate the convenience and the chance to stock up which frozen foods afford.
R-24 more	S-25	Because of the convenience and the chance to __________ ____ on frozen foods, regular users of frozen foods tend to buy and use more frozen items today than previously.
R-25 stock up	S-26	A working housewife profits from frozen prepared dinners, for example, which save her time and trouble in the kitchen. In other words, frozen foods are a ____________________ for this type of customer.

R-26
convenience

S-27 A customer may reduce her number of shopping trips per week by buying frozen vegetables, for example. In other words, she can __________ ____ for the entire week -- another important advantage of frozen foods.

R-27
stock up

PRODUCT MANAGEMENT IN THE FROZEN FOODS DEPARTMENT

S-28 The advantages of frozen foods, including their ____________________ and the chance they provide customers to __________ ____, can make them a sizeable factor in creating a distinctive store image. However, two of the fifteen product categories in the Frozen Foods Department account for almost half of the dollar sales in the department -- frozen juices and vegetables.

R-28
convenience
stock up

1. Sales and Margins by Product Category

S-29 Nearly half (or about 45%) of the total dollar sales of frozen foods are accounted for by frozen ____________ and ____________________.

R-29
juices (and)
vegetables

S-30 Roughly 45% (or nearly ________) of the Frozen Foods Department's dollar sales are made up by frozen juices and ____________________. Frozen juices account for about 25% of the department's dollar sales at a margin of about 25%.

R-30
half
vegetables

S-31 In the Frozen Foods Department of a typical supermarket, frozen juices make up about ____% of total dollar sales. The % of margin on frozen juices is about ____%. Of all the frozen juices, orange juice is the largest-selling type.

R-31 25% (sales) 25% (margin)	S-32	Among frozen juices, the largest seller is ____________ ____________. Other frozen juice items include: lemonade, grape juice, and fruit drinks.
R-32 orange juice	S-33	Frozen juices (such as orange juice, lemonade, grape juice, and fruit drinks) are the largest-selling items in the Frozen Foods Department. Together, they account for about ____% of the department's total dollar sales and provide a margin of about ____%. Frozen vegetables account for about 20% of total dollar sales and provide a margin of about 32%.
R-33 25% (sales) 25% (margin)	S-34	The second-largest seller in the Frozen Foods Department is frozen ____________________. These account for about 20% of total department sales and have a slightly higher margin than juices, about ____%.
R-34 vegetables 32%	S-35	Frozen vegetables -- the second largest-selling product category with about ____% of total department sales -- yield a margin of about ____%.
R-35 20% (sales) 32% (margin)	S-36	Even though many new frozen foods items have been developed in recent years, nearly half of the department's dollar sales are accounted for by two product categories: ____________ (which accounts for about ____% of total sales) and ____________________ (which accounts for about ____% of total sales).

R-36 juices . . . 25% vegetables . . . 20%	S-37	Recently, many new brands and new types of products have been introduced in the Frozen Foods Department. Since these new items compete for freezer space in the department with the two largest-selling product categories (frozen ____________ and ____________________), we can see how difficult it is for a store to provide customers with desired variety within a limited amount of freezer space.
R-37 juices (and) vegetables		2. Providing a Balanced Selection of Items
	S-38	As we have seen, almost half (or about ____%) of the Frozen Food Department's total dollar sales are accounted for by two groups of items: ____________ and ____________________. Nevertheless, the Frozen Foods Department is the largest source of new items in a supermarket.
R-38 45% juices (and) vegetables	S-39	Being the largest source of ______ __________ in a supermarket presents a problem for the Frozen Foods Department. It must find a balance between established and new items, and between basic and specialty items.
R-39 new items	S-40	New items may serve to attract customers to the Frozen Foods Department. But for a strong department, there must be a ______________ of established and new items, and of basic and specialty items.
R-40 balance	S-41	Within the limits of its freezer space, a supermarket tries to provide a balance between ______________________ and ______ items, and between __________ and __________________ items. Generally, new items and specialty items should be stocked according to customer demand. That is, the items offered in the department should suit the type of neighborhood, and the income level and the desires of the store's customers.

R-41 established (and) new basic (and) specialty	S-42	Since so many new frozen items are introduced each month, only those NEW items should be stocked which meet the customer demand in the particular store. For instance: the new vegetables with sauce packaged in boil-in bags are higher priced than plain frozen vegetables. Therefore, there probably would be a greater customer ____________ for these in supermarkets which are patronized by people in the higher income brackets.
R-42 demand	S-43	SPECIALTY items should also be chosen in light of the probable customer demand for the items. For example, the number and types of specialty items, such as nationality foods, must be chosen according to ________________ ____________ in the particular store.
R-43 customer demand	S-44	The customer demand for the items stocked (particularly ______ items and ______________ items) is an important consideration in providing a balanced selection in the Frozen Foods Department. However, since freezer space in the department is limited, the rate of turnover of the items is also an important consideration.
R-44 new specialty	S-45	The expense of freezer operation requires a high rate of turnover to make an item profitable. Thus, besides considering the ________________ ____________ for a new item or a specialty item for the Frozen Foods Department, it's also important to consider the rate of ______________.
R-45 customer demand turnover	S-46	A store's attempts to provide a balanced selection of frozen items (established and new items, basic and specialty items) must reflect the customer demand for the items, but must also reflect the ________ ____ ________________ of the items.

R-46 rate of turnover	S-47	Since freezer space is expensive, a store must attempt to provide a balanced selection of items with high ________________ ____________ and a high ________ ____ ________________. To accomplish this, the store must constantly strive to eliminate unprofitable slow-moving items.
R-47 customer demand rate of turnover	S-48	Freezer space in the Frozen Foods Department is limited. Checking the movement of frozen foods at least once a week is important to the elimination of unprofitable ________-____________ items.
R-48 slow-moving	S-49	It is helpful to take an inventory of all frozen food items at least ______________________ (HOW OFTEN?). In this way, the rate of turnover for each item can be checked and unprofitable slow-moving items can be eliminated to permit addition of new items or specialty items which may have a greater customer demand and a higher rate of ________________.
R-49 once a week turnover	S-50	In order to achieve a balanced selection of items in the Frozen Foods Department which reflects customer demand and the rate of turnover, a store must seek to eliminate ________________________ ________-____________ items and thus utilize its limited freezer space to the fullest advantage. It must also attempt to avoid out-of-stock conditions and thus make this balanced selection available to customers at all times.
R-50 unprofitable slow-moving	S-51	Most items in the Frozen Foods Department have only one facing. But those items with the highest rate of turnover should have more facings to avoid ______-____-__________ conditions.

R-51 out-of-stock	S-52	Fast-moving items usually have more than one facing in order to avoid the loss of sales incurred by ______-____-__________ conditions and to maintain a balanced selection of items at all times.
R-52 out-of-stock	S-53	The loss of sales due to out-of-stock conditions can be avoided by allocating space for more than one __________ to items with a high ________ of ______________.
R-53 facing rate (of) turnover	S-54	We have now seen some reasons why it is important (and difficult) for a store to provide a ______________ ________________ of frozen food items.
R-54 balanced selection	S-55	As we saw: because of the limited freezer space and the great number of new items and specialty items available, a store must attempt to achieve a balanced selection which reflects customer demand and the rate of turnover of the items. In so doing, it must eliminate unprofitable ________-__________ items and avoid ______-____-__________ conditions. For the same reasons, it must be selective in the brands of frozen foods it stocks and sells.
R-55 slow-moving out-of-stock	S-56	Because of the *(great ... small)* amount of freezer space and the fairly *(large ... small)* number of different frozen items, many supermarkets limit their slower-moving items to one brand and offer one national brand plus a local or private-label brand of their faster-moving items such as frozen juices and vegetables.
R-56 small large	S-57	(TRUE or FALSE) Supermarkets often stock only one brand of the slower-moving frozen items and offer a choice between a national brand and a local or private-label brand of their faster-moving frozen items. __________

R-57
True

S-58 To utilize the space in their frozen foods cases most effectively, many supermarkets limit their offerings of slower-moving items to one brand and of major items (such as frozen juices and vegetables) to one ____________ brand and one ________ or ____________-________ brand.

R-58
national
local (or) private-label

S-59 In order to provide a balanced selection of frozen items with limited freezer space, many stores stock only one brand of the *(slower-moving ... faster-moving)* items and offer a choice between a national brand and a local or private-label brand of the *(slower-moving ... faster-moving)* items. In order to maximize sales and build customer loyalty, it is necessary to effectively merchandise the Frozen Foods Department.

R-59
slower-moving
faster-moving

ELEMENTS OF EFFECTIVE FROZEN FOODS MERCHANDISING

S-60 We have seen that in recent years there has been a *(small ... large)* increase in the percentage of families buying frozen foods, but that those who have been buying frozen foods are buying *(less ... more)*. Effective merchandising can serve both to create new users of frozen foods and to increase the amount bought by regular users.

R-60
small
more

S-61 Effective merchandising in the Frozen Foods Department has the dual purpose of creating ______ users of frozen foods and increasing the amount bought by ____________ users of frozen foods.

R-61 new regular	S-62	1. The Display of Frozen Foods The displays of products in the Frozen Foods Department's freezer cabinets should be set up in such a way as to create new users of frozen foods and also to increase the amount bought by regular users. In many stores, high-demand items are scattered throughout the display case to encourage *(regular users ... new users)* to shop the department more thoroughly.
R-62 regular users	S-63	Customers will shop the Frozen Foods Department more thoroughly when the various high-demand items are ________________ throughout the freezer rather than placed all together.
R-63 scattered	S-64	In order to encourage customers to shop the department more thoroughly, ________-__________ items are usually scattered throughout the display case or freezer. Some stores place one of the two major product groups (juices and vegetables) at each end of the department to attract new users and to draw regular users through the entire department.
R-64 high-demand	S-65	Although placement would vary in stores having several freezer cabinets, some stores advocate placing frozen ____________ at one end of the department and ________________ at the other end. Semi-demand items and impulse items are then placed between.
R-65 juices vegetables	S-66	The most popular frozen food items -- frozen juices and vegetables -- are often placed at the ends of the department with semi-demand items and ______________ items in between. This is done to attract ______ __________ of frozen foods and to encourage ______________ __________ to shop the entire department.

R-66
impulse
new users
regular users

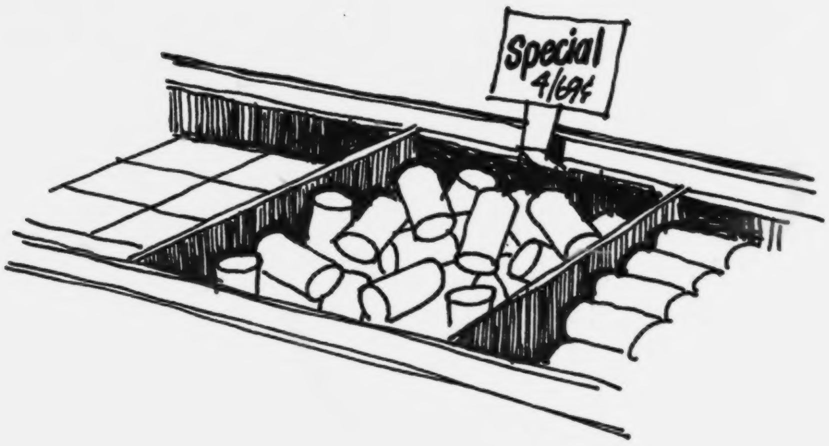
S-67 Many stores effectively merchandise the Frozen Foods Department by displaying frozen juices at one end of the department and frozen vegetables at the other end, with ________-__________ items and ____________ items in between. Most stores also merchandise the Frozen Foods Department by using dump displays for fast-moving items.

R-67
semi-demand
impulse

S-68 Many items in the Frozen Foods Department lend themselves to the use of dump displays. Stores which effectively merchandise frozen foods often use dump displays for *(slow-moving ... fast-moving)* items.

R-68
fast-moving

S-69 A way of creating interest in frozen foods is to use ________ displays for fast-moving items.



R-69
dump

S-70 Effective display of frozen foods (including the use of ________ ______________ for fast-moving items) is essential to create new users of frozen foods and to increase the amount bought by regular users. Aggressive promotion is also essential.

R-70
dump displays

2. The Promotion of Frozen Foods

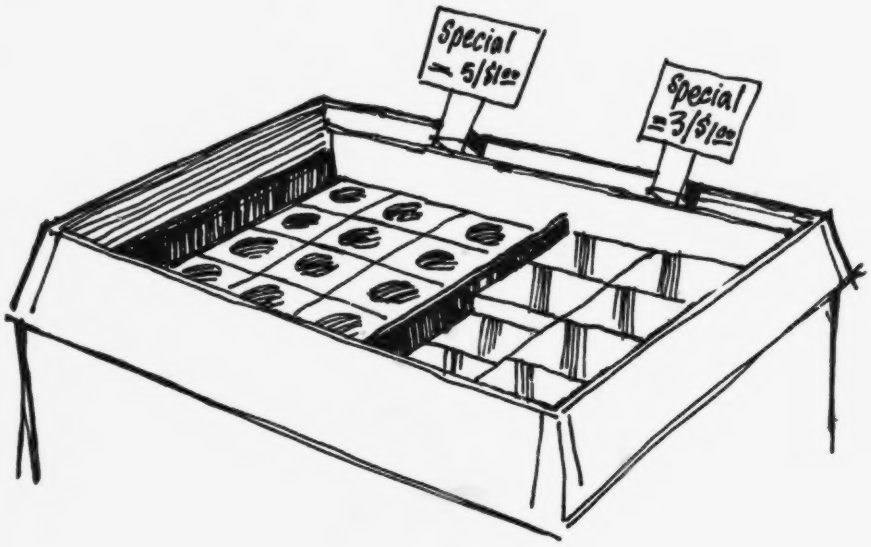
S-71 Many supermarkets today are finding that more aggressive promotion of the Frozen Foods Department pays off in added sales and profits because of the tremendous potential in the department and the relatively *(high ... low)* % of gross margin which frozen foods provide.

R-71
high

S-72 Aggressive ____________ of the Frozen Foods Department includes the use of frozen foods as feature items in the store's ads.

R-72
promotion

S-73 Many supermarkets are increasing the use of frozen foods as ____________ items in their ads. Often, these stores display the items in spot freezers and use signs to call shoppers' attention to the items.



R-73
feature

S-74 A store can gain customer interest and added sales by displaying a feature item in a ________ freezer and by using ________ to call attention to the item.

R-74 spot signs	S-75	Feature items in the Frozen Foods Department will usually produce the greatest sales if the items are displayed in a ________ ______________ and if __________ are used to call customers' attention to the items.
R-75 spot freezer signs	S-76	Stores which aggressively promote the Frozen Foods Department extensively use frozen foods as ______________ __________ which are displayed in a ________ ______________ with signs to call customers' attention to the items. Some stores have also found that regularly featuring impulse or specialty items helps create a distinctive store image.
R-76 feature items spot freezer	S-77	The use of impulse or specialty items as ______________ __________ which are included in the store's ads helps create a distinctive __________ __________.
R-77 feature items store image	S-78	By regularly featuring ______________ or __________________ items from the Frozen Foods Department in their ads, using an appeal based on the time-savings and convenience afforded by Frozen foods, a store can create a ______________________ __________ _________.
R-78 impulse (or) specialty distinctive store image	S-79	It is to a store's advantage to aggressively promote the Frozen Foods Department by extensively using frozen foods as feature items. By regularly selecting impulse or specialty items, the store can also succeed in creating a ______________________ __________ __________.

R-79 distinctive store image	S-80	As we've seen, the extensive use of frozen foods as ____________ __________ is one form of promotion in the Frozen Foods Department. Another is the use of tie-in promotions.
R-80 feature items	S-81	By suggesting combinations of frozen items with items from other departments in a ______-____ promotion, a store can create new users of frozen foods and increase the amount bought by regular users.
R-81 tie-in	S-82	Frozen strawberries with whip cream and fresh-baked pastry shells, frozen fruit pies with ice cream, frozen shrimp with shrimp sauce, and frozen waffles with ice cream or strawberries -- all are examples of ______-____ ____________________ involving items from the Frozen Foods Department.
R-82 tie-in promotions	S-83	Sales of frozen foods to both new users and regular users of frozen items can be increased by ______-____ promotions which give customers ideas on meal-planning. Sales of frozen foods to regular users can also be increased by "Stock Your Freezer" sales.
R-83 tie-in	S-84	A department-wide "Stock Your Freezer" sale is likely to increase sales of frozen foods to *(new users ... regular users)*.
R-84 regular users	S-85	A good way of aggressively promoting frozen foods to regular users is by holding a department-wide "__________ ________ ______________" ________. Another way is by having multiple-price sales.

R-85
"Stock Your Freezer" sale

S-86 Multiple-price sales are effective promotions in the Frozen Foods Department. Six packages of frozen french fried potatoes for 99¢ is a good example of a ____________-________ sale.

R-86
multiple-price

S-87 Department-wide "________ ________ ____________" sales and ____________-__________ sales are effective ways of increasing sales of frozen foods, especially sales to regular users. Providing samples is a good way of creating new users and introducing new items.

R-87
"Stock Your Freezer"
multiple-price

S-88 Many frozen foods lend themselves to sampling in the supermarket. For example, providing ____________ of a frozen dessert would be a good way to create new users of frozen foods or introduce a new frozen item.

R-88
samples

S-89 Providing ____________ of frozen foods in the store is one of the many ways we have seen in which a store can aggressively promote the Frozen Foods Department. Now, let's look at some of the major problems in the Frozen Foods Department.

R-89
samples

MAJOR PROBLEMS IN THE FROZEN FOODS DEPARTMENT

S-90 Foods are frozen in order to preserve them at the peak of quality. Frozen foods deteriorate and lose their ____________ more rapidly when the temperature at which they are kept is too high and the food begins to thaw.

R-90
quality

1. Temperature Control

S-91 In order to preserve the quality of frozen foods, it is necessary to maintain the ____________________ of the freezers in which they are stored and displayed at 0° F or below. (The optimum temperature for storing frozen foods before use is -40° F.)

R-91
temperature

S-92 Frozen foods which have begun to thaw deteriorate rapidly in quality. The temperature in the display cases and the backroom freezer should therefore be kept at ____° F. or below to prevent thawing.

R-92
0° F.

S-93 Since the loss of quality of frozen foods is progressively more rapid as the temperature of the product rises, a supermarket must keep frozen foods at ______________ (WHAT TEMPERATURE?) at all times. Because of the importance of maintaining this temperature to preserve quality, the display cases and backroom freezer should be checked at least twice a day.

R-93
0° F. or below

S-94 The temperature of frozen foods in display cases and backroom freezer should be checked at least ____________________ (HOW OFTEN?).

R-94
twice a day

S-95 Frozen foods deteriorate rapidly in quality and lose flavor when kept at temperatures between 15° and 20° F. For this reason, it is important to check the temperature often (at least __________ a day) to make sure the products are ______________ (WHAT TEMPERATURE?).

R-95
twice
0° F. or below

S-96 One of the major problems in the Frozen Foods Department is maintaining the _________________ of display cases and backroom freezer. Another major problem is that of equipment maintenance.

R-96
temperature

2. Equipment Maintenance

S-97 Making sure the product temperature remains at a constant level of ______________ requires proper equipment maintenance.

R-97
0° F. or below

S-98 Regular defrosting and cleaning of frozen food cases is part of proper __________________ ______________________. During the defrosting and cleaning operation, steps must be taken to keep the frozen items at 0° F. or below.

R-98
equipment maintenance

S-99 Keeping frozen items at 0° F. or below during the ____________________ and _________________ operation is fundamental to preserving their quality.

R-99
defrosting (and) cleaning

S-100 Regular ____________________ and ________________ of the display cases are vital in good equipment maintenance. It is also important to stock the cases so that packages do not block the circulation of refrigerated air.

R-100
defrosting (and) cleaning

3. Stocking the Display Cases

S-101 The frozen food case cannot perform its job effectively if packages block the circulation of ________________________ air.

R-101
refrigerated

S-102 Frozen items will not remain at the proper temperature of ____F. or below if the circulation of _________________________ ______ is blocked. They do not remain at this temperature either if the packages are stacked above the "load line" (the proper level indicated on the inside of the display case).

R-102 0° F. refrigerated air	S-103 Frozen foods are not under the proper temperature conditions and will deteriorate rapidly in quality if packages are blocking the flow of ____________ ______ or if they are stacked above the "________ ________".
R-103 refrigerated air "load line"	S-104 Customers may be disappointed in the quality of the frozen foods they buy if the products have begun to thaw because packages were stacked above the "________ ________". Further, a display case filled to the proper level costs less to refrigerate than one that's over-loaded or half empty.
R-104 "load line"	S-105 Store employees who stock the Frozen Foods Department's display cases must be careful not to stack packages above the "________ ________" or else the products may lose quality. However, they must adequately stock the display cases because a properly-filled freezer costs *(more ... less)* to refrigerate than a half-empty one.
R-105 "load line" less	S-106 A full (but not over-filled) freezer costs ________ to refrigerate than an half-empty one, and the store does not take the chance of disappointing customers and losing sales because of out-of-stock conditions. On the other hand, however, customers may get annoyed if the display cases are packed too tightly to remove items with ease.
R-106 less	S-107 If customers must struggle to get a package of frozen food out of the display case because the case was packed too tightly, the department may suffer loss of sales. However, if the display case is not adequately filled, the department may suffer loss of sales and profits because of frequent ______-_____-__________ conditions and higher refrigeration costs.

R-107 out-of-stock	S-108	The Frozen Foods Department's image and its sales can be hurt if items are packed too *(loosely ... tightly)* together in the display cases. The same is true if there are damaged packages in the display cases.
R-108 tightly	S-109	When stocking the display cases of the Frozen Foods Department, store employees should remove ______________ packages which could give customers a bad impression of the department and which may be of inferior quality due to deterioration. When stocking the display cases, they should also check code-dates and remove outdated packages.
R-109 damaged	S-110	Frozen foods have relatively long "shelf lives". However, they cannot be kept indefinitely before being used. Thus, it's important for store personnel to check the ________-__________ of the packages when stocking the display case and remove any ________________ packages.
R-110 code-dates outdated	S-111	To eliminate the possibility of customers buying and using frozen products of inferior quality, store personnel stocking the frozen foods display cases should check the ________-__________ of the items and remove any ________________ packages.

R-111
code-dates
outdated

S-112 Proper stocking of the frozen foods display cases is important in more ways than one:

- Packages will not remain at the proper temperature and may deteriorate if the circulation of ____________________ ______ is blocked.
- Packages stacked above the "________ ________" may begin to thaw, resulting in loss of quality and flavor.
- A properly-filled display case is ________ expensive to refrigerate than a half-empty one.
- Customers may be annoyed if the packages are packed too *(loosely ... tightly)* in the display case to be easily removed.
- The presence of ______________ packages in the display case can give customers a bad impression of the entire department.
- The presence of ______________ packages in the display case can result in customers buying and using products of inferior quality.

R-112
refrigerated air
"load line"
less
tightly
damaged
outdated

END OF SECTION II

III. OPERATIONS OF THE FROZEN FOODS DEPARTMENT

We have already seen that freezing foods preserves their high quality and peak-of-flavor freshness. We have also noted that without proper temperature control, frozen foods are as perishable as fresh. The entire effort of the Frozen Foods Department, then, is directed toward giving its customers the best quality foods within its particular program of offerings. Special care is needed with frozen foods because their quality is preserved only if they are properly handled and stored.

RECEIVING, HANDLING, AND STORING FROZEN FOODS

Because it is necessary to keep frozen foods at a constant low temperature, they should be moved from the delivery truck to the storage freezer as quickly as possible. Having an adequate crew on hand is essential to complete this rapid transfer of products. Therefore, the employee in charge of the department must know the scheduled time of delivery and have his crew ready to help out at a moment's notice when the delivery truck arrives.

As they're being unloaded from the truck, the cartons of frozen foods should be checked against the order, loaded onto conveyors or stocking carts, and immediately moved to the storage freezer. Other techniques that aid in making the handling of frozen foods efficient are:

- Consolidate carryover stock in one corner of the storage freezer before arrival of the delivery truck to provide more work-space for loading-in the new merchandise.
- Ready all handling equipment (stock carts, conveyors, etc.) before the truck arrives to eliminate delays in unloading.
- Check the order before arrival to permit grouping the cases during unloading for easier and faster storage in the freezer.
- Check the temperature of the delivery truck and check for damaged merchandise to ensure that the order has arrived in top condition.
- Stack cartons close together in the storage freezer to cut down on circulation of warm air when the door is opened and closed, thereby preventing thawing and frosting-up of individual packages.
- Move all old stock toward the front of the storage freezer and code-date all new merchandise placed in storage to assure that it will be used in proper rotation.

A supermarket's storage freezer must be capable of keeping products at a temperature of 0° F. or lower. It should also be large enough to accommodate all items which are not placed in the display cases. Ordering with the size of the storage freezer in mind enables the supermarket to:

- Keep enough extra stock of the fast-moving items on hand to eliminate out-of-stock conditions that lose money for the store; and yet,
- Avoid ordering excessive stock which ties up money and complicates inventory-taking.

PRICE-MARKING AND BAGGING FROZEN FOODS

When re-stocking the display cases in the Frozen Foods Department, only as many packages should be removed from the storage freezer as can be price-marked and placed in the display cases within half an hour. In this way, thawing is minimized and the quality of the food is preserved.

Because of the perishable nature of frozen foods, the price-marking station should be located close to or in the storage freezer. Such a location is advisable for two main reasons:

- The products will be subjected to less time at room temperature.
- Price-marking the items will be easier because frost will not be allowed to accumulate on the packages.

Frozen foods pose special handling problems for the customer as well as for the supermarket. Most stores use special insulated bags or wrappers for bagging frozen foods to protect them while the customer returns home. This practice promotes good customer relations, because the customer feels that the store is conscious of the need for careful handling and wants her frozen foods to remain in the best possible condition.

THE DEVELOPMENT OF FROZEN FOODS

Prior to the late 1920's there was no frozen foods industry -- no one had developed the idea of freezing as a method of preserving food for commercial sale. Then in 1925 Clarence Birdseye, a young scientist who was on a hunting and fishing expedition in Labrador, noticed a phenomenon which was commonly used by the Eskimos. Fish and caribou left in the open air froze very rapidly in the sub-zero temperatures, and retained its natural freshness and tenderness when it was thawed out months after being frozen!

Before quick-freezing was developed, foods remaining in cold storage for a long time had slowly become frozen, but the flavor and freshness had suffered. It was found that the secret of preserving freshness by freezing lies in the speed of the freezing. In food that is frozen slowly, large ice crystals form, rupturing the microscopic cells in the food and causing a loss of flavor and nutrients when the food is defrosted. Quick-freezing, on the other hand, doesn't allow the formation of large crystals. The small crystals do not damage the cells, leaving the texture and flavor unharmed. Quick-freezing arrests the natural process of decay in foods, keeping the food almost as fresh and flavorful as the day it was frozen -- provided that the frozen food has been kept at the proper low temperature.

Birdseye's experiments with the freezing of meats, fruits, and vegetables led to the marketing of frozen foods in 1929-30. However, there were problems in these early days of the frozen foods industry, including:

- The lack of proper equipment for storing frozen foods at the wholesale level and transporting them to the retail stores delayed wide-spread distribution of frozen foods.

- At the retail level, the lack of display cases that were satisfactory for both display and preservation of frozen foods had to be overcome.

- The high prices of the early frozen foods placed them beyond the reach of the average shopper and deterred people from buying.

The Second World War speeded up the development of the frozen foods industry. Frozen foods required fewer ration points than canned -- a saving of points for the customer. And, the government helped to boost the industry by awarding it large contracts for feeding the armed forces. The wartime scarcity of metal for making cans also proved to be an advantage for frozen foods.

The industry endured a slump after the war, but the introduction of frozen orange juice in 1948 gave a new impetus to the growth of frozen foods. In a sense, frozen orange juice concentrate put the industry on its feet, and is credited with gaining customer acceptance of frozen foods in general.

What frozen foods mainly offer is convenience, quality, and variety -- a customer can get top quality foods no matter what season. With the aid of a good promotional campaign and prices comparable to those of the highest quality fresh foods, frozen foods have found good customer acceptance ... but the opportunity for even greater sales is tremendous!

SELF-QUIZ

Self-Study Unit #10

This Self-Quiz is not intended as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answer any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (CIRCLE THE CORRECT ANSWER) Compared with items in most other departments, items in the Frozen Foods Department have a relatively (short ... long) shelf life. (I-1)

2. (TRUE or FALSE) Frozen food sales are dependent in part upon the size and operating condition of the customers' freezers. (I-1) ____________

3. (CIRCLE THE CORRECT ANSWER) The Frozen Foods Department is most often placed toward the (beginning ... middle ... end) of the flow of traffic in a supermarket. (I-2)

4. A type of frozen foods display case or freezer which is small enough to be slotted in any small unused space in the store is called: (I-6)

   ☐ an island freezer
   ☐ an upright freezer
   ☐ a spot freezer
   ☐ a wall-type freezer

5. (TRUE or FALSE) The Frozen Foods Department occupies a small percentage of a supermarket's total selling space, but it contains a far greater percentage of the store's total number of items. (II-1, S-3) ____________

6. What is the average % of gross margin on frozen foods? (II-2, S-8)

   ☐ about 14%
   ☐ about 17%
   ☐ about 24%
   ☐ about 27%
   ☐ about 34%
   ☐ about 37%

7. (TRUE or FALSE) Both the % of gross margin and the annual rate of turnover in the Frozen Foods Department are higher than the store average. (II-3, S-11) ____________

8. (TRUE or FALSE) Labor costs as a percent of dollar sales can be kept low in the Frozen Foods Department because frozen foods take only a short time to price and shelve. (II-3, S-15) ____________

9. What proportion of the shoppers who enter the store buy at least one frozen food item? (II-4, S-19)

☐ 1 out of every 5
☐ 1 out of every 4
☐ 2 out of every 5
☐ 2 out of every 4

10. (CIRCLE THE CORRECT ANSWER) Those families that use one or more frozen food item regularly are buying (less ... the same amount ... more) frozen foods today than a few years ago. (II-5, S-22)

11. The two largest-selling product groups in the Frozen Foods Department are: (II-6, S-28)

☐ Meat
☐ Vegetables
☐ Juices
☐ Fruits

12. What percentage of Frozen Foods Department's total dollar sales are made up by two largest-selling product groups taken together? (II-6, S-29)

☐ about 25%
☐ about 45%
☐ about 55%
☐ about 70%

13. (TRUE or FALSE) Of all the departments in a supermarket, only the Grocery Department has more new items than the Frozen Foods Department. (II-8, S-38)

____

14. (CIRCLE THE CORRECT ANSWER) It is important to check the movement of items at least (once a day ... once a week ... twice a week) in order to eliminate unprofitable slow-moving items and avoid out-of-stock conditions. (II-10, S-48)

15. High-demand items can serve to draw customers through the department when they are: (II-13, S-62)

(a) grouped together at the beginning of the department.

(b) scattered throughout the display cases.

(c) grouped together at the end of the department.

16. (TRUE or FALSE) Frozen juices and vegetables are normally displayed in spot freezers with signs to call shoppers' attention to the items. (II-13, S-64) ________________

17. (TRUE or FALSE) Dump displays are most effectively used for slow-moving frozen foods. (II-14, S-67) ________________

18. List three types of promotions that are effective in the Frozen Foods Department. (II-17, S-80 to S-85)

- ______________________________
- ______________________________
- ______________________________

19. The temperature of products in both the display cases and the storage freezer in a supermarket should be kept at: (II-19, S-91)

☐ -40° F. or below ☐ 28° F. or below

☐ 0° F. or below ☐ 32° F. or below

20. How often should the temperature of the display cases and backroom freezer of the Frozen Foods Department be checked? (II-19, S-93)

____

21. (TRUE or FALSE) Packages of frozen foods blocking the circulation of refrigerated air in the department's freezers may cause thawing and damage the quality of the items. (II-20, S-102) ____________

22. (CIRCLE THE CORRECT ANSWER) A frozen foods display case filled to the proper level costs (more ... less) to refrigerate than a half-empty one. (II-21, S-104)

23. (TRUE or FALSE) Moving frozen foods from the delivery truck to the storage freezer as quickly as possible helps keep them fresh, because the quality of frozen foods is preserved longer if they are kept at the proper low temperature (III-1) ____________

24. (TRUE or FALSE) The development of proper storage equipment on the wholesale and retail levels was a factor that originally held back the progress of the frozen foods industry. (III-3) ____________

25. The development of the frozen orange juice concentrate gave new impetus to the growth of the frozen foods industry. In what year was frozen orange juice concentrate introduced? (III-3)

☐ 1929 ☐ 1948

☐ 1941 ☐ 1955

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 11

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Bakery Department

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #11

Many supermarket operators have found that a well-run Bakery Department can effectively contribute to their one-stop-shopping theme and can contribute substantially to store sales and profits. Not only that, a well-run attractive department often provides a definite advantage over competitive stores in the trading area that may lack such a department.

Specifically, in this Study Unit we will study:

Section I. THE SCOPE OF THE BAKERY DEPARTMENT

- A. The Baked Goods Department
- B. The Fancy Baked Goods Section
- C. The On-Premise Bakery
- D. The Bake-Off

Section II. THE BAKED GOODS DEPARTMENT IN THE MODERN SUPERMARKET

- A. Importance of the Baked Goods Department
- B. Product Management in the Baked Goods Department
- C. Elements of Effective Bakery Merchandising
- D. Major Problems in the Baked Goods Department

Section III. OPERATIONS OF THE BAKERY DEPARTMENT

- A. Ordering of Bakery Items
- B. Receiving, Handling, and Storing Bakery Items
- C. Layout of Baking Facilities in the On-Premise Bakery

I. THE SCOPE OF THE BAKERY DEPARTMENT

Commercial pre-packaged bakery products have been sold in the Baked Goods Department of the supermarket for many years. However, in recent years, many supermarkets have added a Fancy Baked Goods Section and some have installed On-Premise Bakeries or in-store "Bake-Off" operations. These provide the ultimate in variety and convenience for shoppers -- no longer do customers have to do part of their shopping in the supermarket and then make a side trip to the neighborhood bakery to buy fresh baked goods!

The Baked Goods Department, the Fancy Baked Goods Section, and the On-Premise Bakery or Bake-Off operation are sometimes considered as sections within the Bakery Department. In most cases, however, each is regarded as a separate entity, since each is a distinctive, independent operation. (In fact, the Fancy Baked Goods Section and the On-Premise Bakery are sometimes operated by an outside company leasing space in the supermarket, and not by the store itself.) Thus, the traditional Baked Goods Department is often referred to simply as the Bakery Department.

THE BAKED GOODS DEPARTMENT

The traditional Baked Goods Department consists of pre-packaged bakery products displayed on shelving units or gondolas similar to those in the Grocery Department and sold on a self-service basis. In many supermarkets, the products are brand-name items supplied by outside baking companies. However, some Chains, Co-ops, and Voluntaries contract with outside baking companies to provide some or all of their needs under their own private labels. Other central buying organizations maintain their own centralized bakeries to produce private-label goods for sale through their member stores.

The Baked Goods Department is an important contributor to store profits. For one thing, the cost of operating the department is relatively low:

- Labor costs are relatively low. The baking companies' driver/salesmen usually stock the shelves, rotate the stock, and place any reserve stock directly in the backroom when they deliver fresh goods. Since most items are price-marked before they are delivered to the store, store personnel need not handle the products at all except at the check-out counters or when shelf stocks of fast-selling items have to be replenished.

- Equipment and space requirements are relatively low. All that's needed in the Baked Goods Department is a few compact multi-shelf gondolas. No refrigerated equipment is required, and there is no need for a customer-service station in a self-service department

The Baked Goods Department -- with its low operating costs and extremely high turnover -- contains many attractive impulse items and a few customer-drawing high-demand items (mainly Bread and Rolls) which permit quite a bit of flexibility with regard to locating it within the store.

1. Location of the Baked Goods Department

Some store operators feel that the Baked Goods Department should be located near the beginning of the traffic flow, to promote impulse sales early in the shopping trip. Others feel the department should be near the end of the traffic flow because its high-demand items serve to draw shoppers through the store. Still others feel it should be located near other departments or sections with slow-selling, high-impulse items to help boost sales of those items. Each possibility presents certain advantages and disadvantages.

- Near the BEGINNING of the traffic flow. In some stores, the Baked Goods Department is one of the first things that shoppers see upon entering the store. (SEE DIAGRAM A) Some advantages of this location are:

  -- provides an excellent opportunity for selling shoppers impulse items because they may not be too concerned about the shopping budget at this stage of the shopping trip.

  -- bakery items fit into most menus, creating many tie-in merchandising possibilities.

  -- shoppers may be rushed later in the shopping trip and might either skip the department or briefly shop it, buying only high-demand items.

  Some disadvantages of locating the department at or near the beginning of the store traffic flow would be:

  -- bakery goods placed in the bottom of the shopping cart might become damaged as shoppers pile other items into the cart while they complete the shopping trip.

  -- the purchase of impulse items early in the trip may disrupt shoppers' organized plan for buying other items on the shopping trip.

- Near the END of the traffic flow. In many stores, the Baked Goods Department is the last department shoppers pass before reaching the check-out counters. (SEE DIAGRAM B) Some advantages of this location are:

  -- shoppers must pass through other departments in order to reach sought-after high-demand items in the Baked Goods Department.

-- bakery items can be tied-in more easily with items from other departments. (For example, Hot Dog Buns wouldn't necessarily stimulate shoppers to buy wieners, but a special on wieners would probably initiate the purchase of Hot Dog Buns.)

-- bakery items will be spared damage if they are purchased near the end of the shopping trip.

Some disadvantages of locating the Baked Goods Department at the end of the store traffic flow would be:

-- shoppers may be rushed and skip the department entirely, or quickly shop the department limiting purchases to high-demand items only.

-- shoppers may find they have already bought more than they expected to and so may be unwilling to exceed the food budget, thereby reducing the chances for impulse sales at the end of the shopping trip.

-- any ideas for combining bakery items with items from other departments will be put aside unless shoppers are willing to go back through the store to pick up the items in those departments. (For example, Shortcake may stimulate the thought to buy strawberries, but customers must then be willing to travel back to the Produce Department to get the strawberries.)

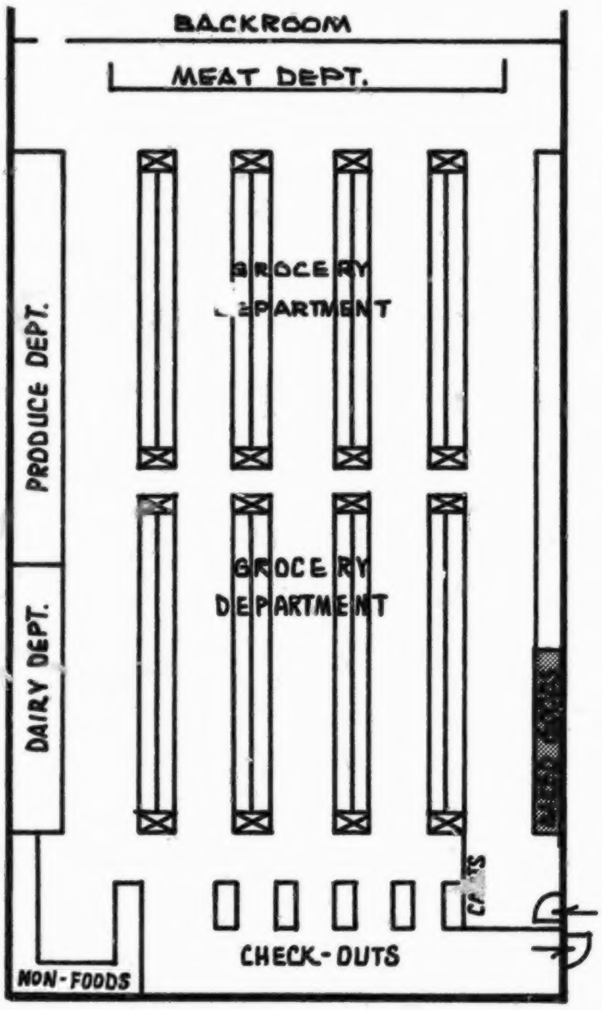

BACKROOM
MEAT DEPT.
PRODUCE DEPT.
DAIRY DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
BAKED GOODS
CARTS
CHECK-OUTS
NON-FOODS

DIAGRAM A

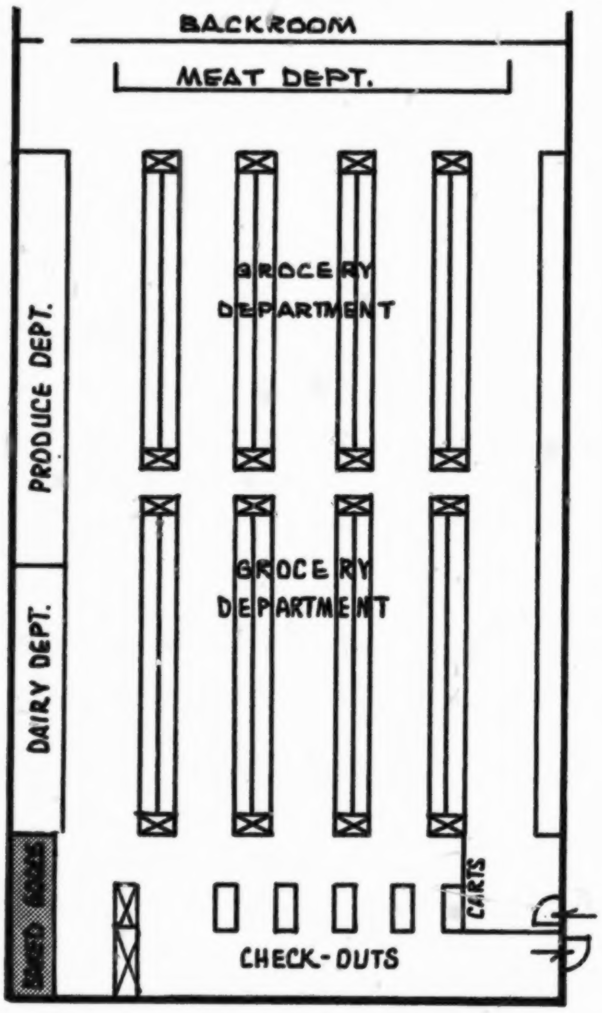

BACKROOM
MEAT DEPT.
PRODUCE DEPT.
DAIRY DEPT.
GROCERY DEPARTMENT
GROCERY DEPARTMENT
BAKED GOODS
CARTS
CHECK-OUTS

DIAGRAM B

- Near other slow-selling, high-impulse items. Some store operators prefer to locate the Baked Goods Department at some point midway through the store, near another department or a section of the Grocery Department containing slow-selling, high-impulse items. This serves to stimulate sales of these items and averages-out the advantages and disadvantages mentioned for locating the department at the beginning or at the end of the store traffic flow.

2. Layout of the Baked Goods Department

The layout of the Baked Goods Department can take many forms, with no one "best" layout for all operations. Some of the most widely-used methods of laying-out the department are described below. Although the illustrations show a 4-tier gondola, the same basic ideas can be used with a 3-tier or 5-tier shelving unit as well.

- Horizontal layout. In this layout, the fastest-selling types of Bread (White, Rye, and Whole Wheat) are shelved on the large bottom shelf or bottom bin, with the majority of high-impulse items between waist level and eye level. (SEE DIAGRAM C)

  In some stores using this type of layout, White Bread may occupy the entire bottom shelf, and Rye and Whole Wheat may be shelved on the second shelf from the bottom together with the other varieties of Bread such a Pumpernickel and Brown Bread.

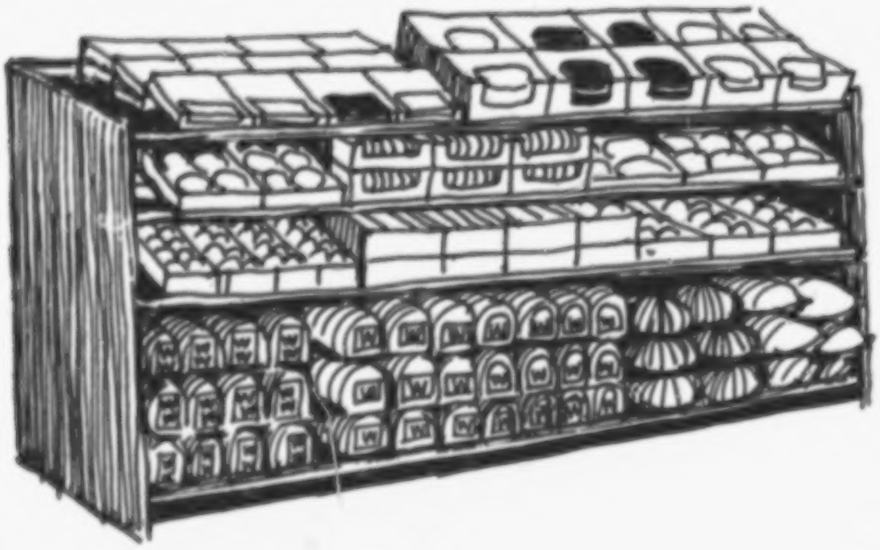


DIAGRAM C

- "Sandwich" layout. In this layout, White Bread occupies the entire bottom bin and other varieties of Bread are placed on the top shelf; the remaining items are thus "sandwiched" between Bread, which is a high-demand item. (SEE DIAGRAM D) The idea here, of course, is to expose shoppers to more impulse items, even though they may have come only to buy Bread.

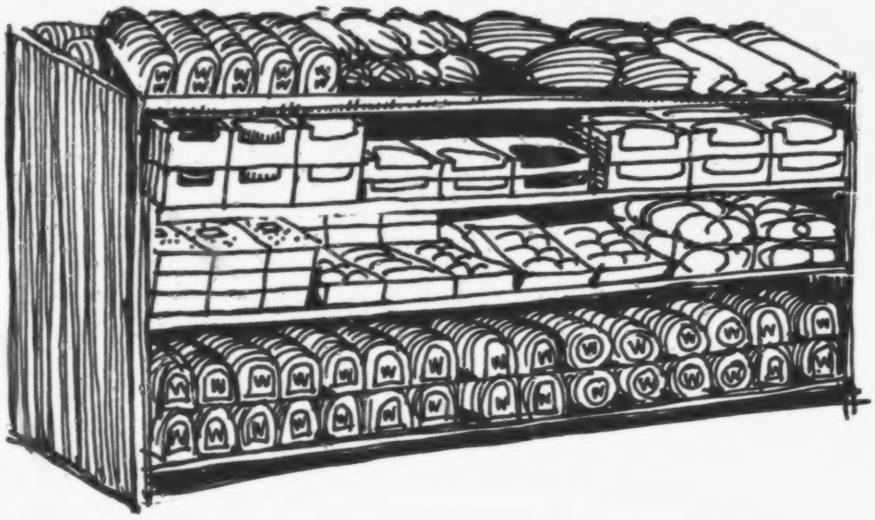


DIAGRAM D

- Scattered layout. In this layout, different varieties or brands of Bread are scattered throughout the department. (SEE DIAGRAM E) This approach permits the placement of more impulse items directly next to a high-demand item, to stimulate impulse sales as shoppers scan the shelves in search of high-demand Bread items.

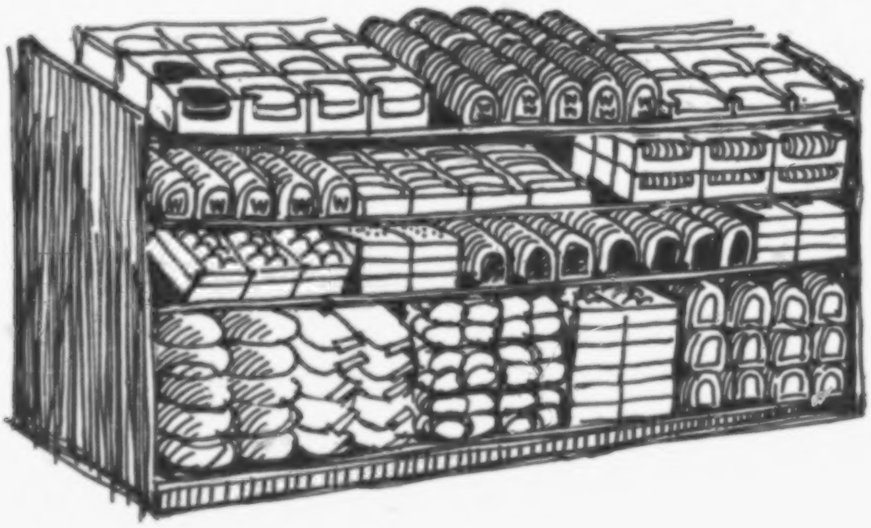


DIAGRAM E

- **Vertical layout.** In this layout, White Bread is placed in the center of the department, on each shelf of the gondola, and the remaining bakery items are then placed around this center of attraction. (SEE DIAGRAM F) Thus, in order to get a loaf of White Bread, shoppers must pass at least half of the department's items -- the items located on either side of the White Bread. This vertical layout is the preferred method in many of the largest supermarkets.

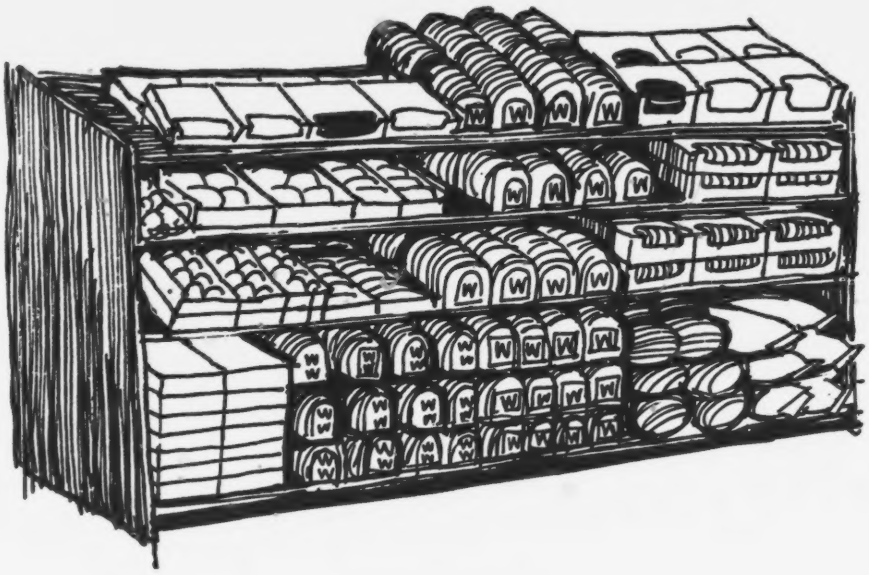


DIAGRAM F

3. Personnel in the Baked Goods Department

As mentioned earlier, suppliers' driver/salesmen usually stock the shelves in the Baked Goods Department when they deliver fresh goods. As a result, the amount of store labor required in the operation of the department is minimal. Except in very large supermarkets, the department is usually handled by Grocery Department personnel. In very large supermarkets, one clerk may be in charge of the Baked Goods Department and the Frozen Foods and/or Dairy Department.

THE FANCY BAKED GOODS SECTION

In recent years, fancy baked goods like those sold in a neighborhood bakery have been introduced in numerous supermarkets. These products may be fresh (prepackaged or unwrapped), refrigerated, or frozen, and they may be sold on a customer-service or a clerk-service basis. The Fancy Baked Goods Section may be operated by the store itself, or it may be leased to an outside baking company under a franchise agreement whereby the store receives a percentage of the total sales or the gross profit of the Section.

The following are some methods used for displaying and selling fancy baked goods in different supermarkets:

- Packaged fancy baked goods are displayed in the Baked Goods Department and sold on a self-service basis.

- Unwrapped fancy baked goods are stocked in special display cases next to the Baked Goods Department and often sold on a clerk-service basis.

- Simulated bakery shop where fancy baked goods are displayed behind glass-front counters similar to those used in a neighborhood bakery or in an On-Premise Bakery or Bake-Off operation, and are sold on a clerk-service basis.

- Refrigerated fancy baked goods (such as pre-packaged cakes and pies) are stocked in refrigerated display cases and sold on a self-service basis, often with an attendant present during special sales and on weekends.

- Frozen fancy bakery goods are pre-packaged and sold in the frozen state, usually on a self-service basis.

1. Location of the Fancy Baked Goods Section

The location of the Fancy Baked Goods Section depends largely on the type of products stocked by a given store.

- If packaged or unwrapped fancy baked goods are stocked, they are usually displayed with or near the commercial pre-packaged baked goods, so the points regarding the location of the Baked Goods Department will apply.

- If a simulated bakery shop arrangement is used, the points mentioned later regarding the location of the On-Premise Bakery will apply.

- If refrigerated or frozen fancy baked goods are stocked, it is generally advisable to set up a separate section away from the Baked Good Department -- usually before the Baked Goods Department, to stimulate greater sales of the higher-margin fancy baked goods. By keeping the two separate, shoppers will have a double reminder (once when passing the Fancy Baked Goods Section and again when passing the Baked Goods Department) ... and the store will have a double opportunity to stimulate an impulse purchase.

  Also, refrigerated display cases or freezers of a different color and style than those found in the Dairy and Frozen Foods Department are often used in the Fancy Baked Goods Section. This helps draw shoppers' attention to the Section and further increases the possibility of impulse sales.

2. Layout of the Fancy Baked Goods Section

As was true regarding the proper location for the Fancy Baked Goods Section, the proper layout of the Section depends mainly on the type of products sold by a particular store.

- If packaged or unwrapped fancy baked goods are located in the Baked Goods Department, they can be interspersed with the commercial pre-packaged items in the department or they can be displayed on separate gondolas adjacent to the Baked Goods Department gondolas.
- If a simulated bakery shop arrangement is used, the points mentioned later regarding the layout of the On-Premise Bakery will apply.
- If refrigerated or frozen fancy baked goods are stocked, it is generally advisable to position one high-demand item near both ends of the Section to gain shoppers' attention, with other high-demand items toward the center of the display case to draw customers through the entire Section.

A Fancy Baked Goods Section which is properly laid-out and situated in a good location can not only be an important contributor to store sales and profits, but can also add excitement and a distinctive "personality" to the store.

THE ON-PREMISE BAKERY

An On-Premise Bakery is the equivalent of providing a neighborhood bakery shop within the supermarket. This type of operation can not only add substantially to store sales and profits, but it can also provide an opportunity for the store to establish a reputation for quality baked goods and a distinctive store "image".

As can be expected, the On-Premise Bakery requires a heavy initial investment. One with $1,000 to $1,500 weekly sales will require an investment of about $25,000 to $35,000 for equipment alone. In addition, about 1200 square feet of space is required for this type of operation. Finally, this type of operation requires some skilled, high-salaried personnel. (Some stores avoid most of this expense by franchising the On-Premise Bakery to a reputable operator.)

Authorities on the On-Premise Bakery suggest that a store should be doing a minimum weekly sales volume of between $20,000 and $25,000 or more in order to generate enough store traffic and potential bakery sales to support an On-Premise Bakery. However, the considerable investment in personnel, equipment and space is worth it if the desired reputation, sales and profits result. Further, many experts contend that the aroma of products baking stimulates shoppers' appetites and causes them to buy more on their shopping trip!

1. Location of the On-Premise Bakery

As with the Baked Goods Department and the Fancy Baked Goods Section, there is no one "best" location for an On-Premise Bakery. However, practical considerations virtually rule out certain parts of the store as likely locations for such an operation. For example, the center of the store is not well-suited for an On-Premise Bakery because operating efficiency dictates that the selling area be located near the baking facilities.

Thus, the best possible location for an On-Premise Bakery would be at the perimeter of the store -- at the beginning of the traffic flow, at the end of the traffic flow, or at some point midway in the traffic flow. Each of these possibilities offers some distinct advantages, most of which also apply to the "simulated bakery shop" type of Fancy Baked Goods Section.

- At the BEGINNING of the traffic flow. Some advantages of locating the On-Premise Bakery at the beginning of the traffic flow, near the front entrance, are:

  -- presents a good appearance and creates a distinctive impression as shoppers enter the store.

  -- can be seen from outside the store.

  -- draws people into the store who may wish only to buy a bakery item between regularly-scheduled shopping trips.

  -- customers generally react better to impulse items early in the shopping trip.

- At the END of the traffic flow. Some reasons for locating the On-Premise Bakery at the end of the traffic flow, near the check-out counters, are:

  -- draws shoppers through other departments en route to the Bakery.

  -- leaves a good last impression of the store.

  -- reduces the possibility of customers damaging delicate bakery items by piling other items on them in the shopping carts.

  -- bakery items (especially desserts) are often the last things to be considered in meal planning, so this location for the Bakery serves as a final reminder for shoppers at the end of their shopping trips, after the rest of the meal has been selected.

- At some point MIDWAY in the traffic flow. Locating the On-Premise Bakery where customers will pass it in the middle of the shopping trip (perhaps along one of the side walls, in the rear, or in a back corner of the store) also offers certain advantages:

  -- is more accessible from all parts of the store. (One of the great attractions of the On-Premise Bakery is the fact that the aroma of freshly-baked goods draws customers to the Bakery as they are shopping in other departments. If the Bakery is hard to reach for shoppers who are already well-along in their shopping trip, the effect of this sales-stimulating aroma is reduced.)

  -- draws customers through other departments on their way to the Bakery.

  -- provides greater opportunity for tie-ins with other departments.

2. Layout of the On-Premise Bakery

The On-Premise Bakery requires a different kind of layout than is used in a self-service operation. The service-type operation requires wall cabinets and glass-front counter display cases for serving shoppers, plus a refrigerated cabinet for cream products (either a wall-mounted or counter-type unit). Department personnel stand behind the counter display case and in front of the wall cabinets to serve shoppers. (SEE DIAGRAM G) The same basic appearance applies for the "simulated bakery shop" type of Fancy Baked Goods Section as well.

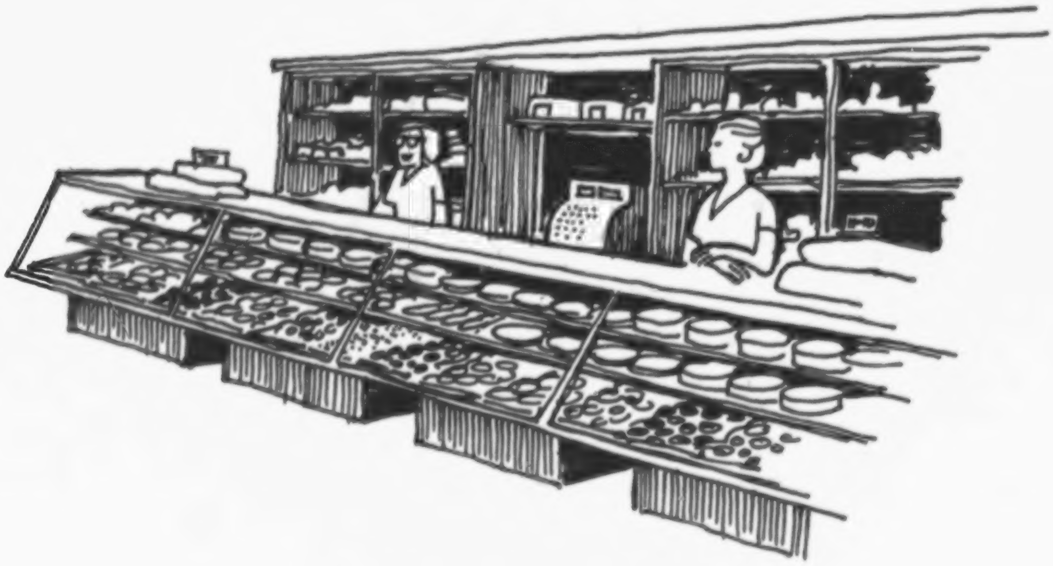


DIAGRAM G

Three basic layouts which are commonly used in a service-type On-Premise Bakery or in a "simulated bakery shop" Fancy Baked Goods Section are:

- Impulse items (such as Sweet Rolls, Coffee Cake, Cupcakes, Pies, and Fancy Cookies) are displayed together in the counter display case. High-demand items (such as Bread, Dinner Rolls, and Hamburger and Hot Dog Buns) are displayed together in the wall cabinets. The objective of this layout is to give shoppers maximum exposure to impulse items, with the high-demand items in the background.

- Impulse items are interspersed among high-demand items in both the counter display cases and the wall cabinets. The objective of this layout is to expose shoppers to impulse items as they are looking through the display cases to locate wanted high-demand items.

- All high-demand items are grouped together at the far end of the counter display cases and the wall cabinets. The objective of this layout is to draw shoppers past impulse items in their serch for needed high-demand items.

Many operators periodically re-position items in the counter display cases and wall cabinets lest shoppers become too familiar with the layout and purposely avoid situations where impulse buying motivations might occur.

3. Equipment Requirements in the On-Premise Bakery

The cost of equipment in a fully-equipped On-Premise Bakery is about $25,000. An On-Premise Bakery with a weekly sales volume of $1,000 to $1,500 would require approximately the following investment in equipment:

Storage Area	$ 200
Mixing Area	$ 5,000
Make-up Area	$ 3,600
Intermediate Holding Area	$ 3,500
Baking Area	$ 7,600
Finishing Area	$ 1,000
Packaging Area	$ 1,100
Display Area	$ 3,000
	$25,000

In addition, freight charges for delivery of the above equipment might run another $1,000 or so. Installation costs (electrical, plumbing, painting, and carpentry) might range from $3,000 to $6,000. Thus, the total investment for an On-Premise Bakery of this size would be in the area of $30,000 or more, assuming that no major construction is required to provide space in the store for the bakery operation.

4. Personnel Requirements in the On-Premise Bakery

As indicated, the initial investment for equipment in an On-Premise Bakery is high. The investment in skilled personnel needed to run this type of operation is also considered to be high.

Labor costs amount to about 35% of sales in an On-Premise Bakery. Using the 35% figure, an On-Premise Bakery with a sales volume of about $1,500 would have labor costs of about (35% of $1,500), or $525. In this instance the $525 would pay the salaries of a "working" Bakery Manager, a Baker, a Finisher and Decorator, and Counter Clerks. The key person, of course, is the Bakery Manager. Besides handling a large share of the baking himself, the Bakery Manager supervises and coordinates all personnel and functions in the On-Premise Bakery.

The correct combination of skilled personnel, proper location, effictive layout, and efficient equipment in the On-Premise Bakery can produce additional sales and profits for the store and also:

- Create satisfied shoppers.
- Increase store traffic, sales and profits in other departments.
- Enhance the store image.
- Promote one-stop shopping.
- Develop more loyal store customers.
- Provide a competitive advantage over other supermarkets and over neighborhood bakery shops.

THE BAKE-OFF

A number of supermarkets have developed a method (commonly called "the Bake-Off") which permits them to enjoy the major benefits of the On-Premise Bakery type of operation without some of the major disadvantages of such an operation. In a Bake-Off operation, un-baked items (usually frozen) are delivered to the store, are stored and later baked as needed. The items are then displayed and sold on a clerk-service basis in much the same way as items are displayed and sold in the On-Premise Bakery.

In most cases, one or two reputable outside baking companies are used as suppliers of the un-baked or frozen "raw materials" for a Bake-Off operation. However, some central buying organizations have a centrally-located shop which prepares the items for delivery to member stores where they are stored until needed.

Special ovens are used in the Bake-Off operation. (SEE DIAGRAM H) In some stores, these are adjacent to the wall cabinets in the display area and face out toward the store so they are visible to shoppers. In other stores, the ovens are in a small preparation room located behind wall cabinets and near the back-room storage freezer.

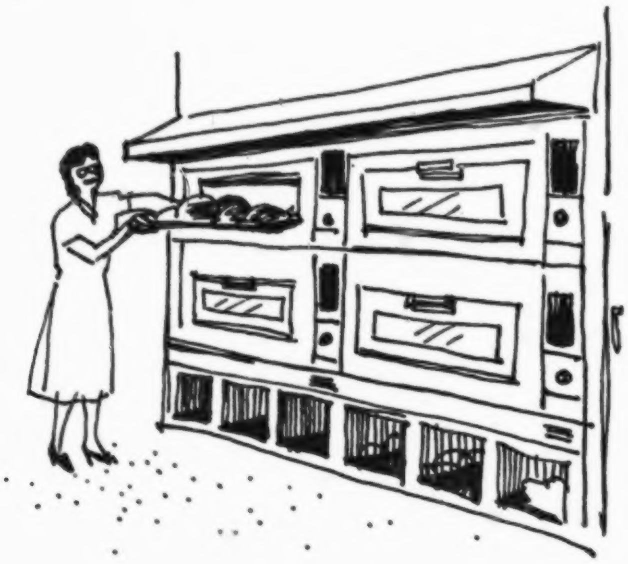


DIAGRAM H

The Bake-Off type of operation offers some distinct and important advantages over a full-fledged On-Premise Bakery type of operation:

- Lower initial investment. The typical Bake-Off operation requires an equipment investment of between $6,000 and $9,000, compared to an investment of about $30,000 for a complete On-Premise Bakery.
- Lower in-store labor costs. Instead of the two experienced, high-salaried, hard-to-find bakers and the other employees required in an On-Premise Bakery doing $1,000 to $1,500 in weekly sales, a Bake-Off can operate efficiently with one full-time woman employee and one to three part-time counter girls. Labor costs amount to about 10% to 15% of sales for the Bake-Off, compared to about 35% of sales for an On-Premise Bakery.
- Lower space requirements. Only 300 to 400 square feet is required for a typical Bake-Off operation, compared to about 1,200 square feet for an On-Premise Bakery.

Since the Bake-Off operation provides many of the same advantages as an On-Premise Bakery (customer interest, distinctive store image, the appeal of fresh-baked goods, and so on) without some of the disadvantages, it's not surprising that the Bake-Off type of operation is becoming increasingly popular in supermarkets today.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE BAKED GOODS DEPARTMENT IN THE MODERN SUPERMARKET

IMPORTANCE OF THE BAKED GOODS DEPARTMENT

	S-1	As we saw in Unit #9, the Dairy Department in a typical supermarket is regarded as a stable contributor to store sales and profits because the department contains a number of high-demand items, one or more of which is usually included on the average shopper's shopping list. In like manner, the Baked Goods Department, with high-demand items such as Bread and Rolls, is considered to be a fairly ____________ contributor to store sales and profits.
R-1 stable	S-2	One or more of the high-demand items in the Baked Goods Department are included on most shopping lists. Although their relative sales vary from season to season, these items help make the department a fairly ____________ contributor to store sales and profits, and serve to attract shoppers to the department.
R-2 stable	S-3	Since high-demand items such as Bread and Rolls serve to ____________ ____________ to the department, the Baked Goods Department can be important in achieving a pre-determined traffic pattern in the store.
R-3 attract shoppers	S-4	The Dairy Department in most stores is located so as to draw customers through the store in a pre-determined ____________ ____________ past items and buying situations in other departments. Besides being a __________ contributor to store sales and profits, the Baked Goods Department can also accomplish this same objective.

R-4
traffic pattern
stable

1. Space allocations, sales and profits of the Department

S-5 The traditional Baked Goods Department with its commercial pre-packaged bakery products, accounts for about 5% of total dollar sales and about 4% of total gross profit dollars. Though both figures are rather low, the department can be used to draw customers through the store in a pre-determined ______________ ________________.

R-5
traffic pattern

S-6 The Baked Goods Department accounts for about ____% of total dollar sales and about ____% of total gross profit in a typical supermarket. The department also accounts for about:

- 4% of total selling space;
- 4% of total number of items;
- 7% of total unit sales.

From the above figures we can conclude that the dollar sales per square foot and the unit sales per square foot in the department are relatively *(high ... low)*. (CIRCLE THE CORRECT WORD)

R-6
5%
4%
high

S-7 Of the six major departments in a typical supermarket, the Baked Goods Department ranks third in dollar sales per square foot and second in unit sales per ____________ _______.

R-7
square foot

S-8 The Baked Goods Department accounts for the third-highest __________ __________ per square foot in a typical supermarket. (In a $2,000,000-a-year store, about $4.35 per square foot per week, compared to about $7.00 for the Meat Department, $6.60 for the Dairy Department, and $3.25 for the store as a whole.)

R-8 dollar sales	S-9	The Baked Goods Department accounts for the second-highest ______ ______ per square foot in a typical supermarket, or over twice the store average. (In a $2,000,000-a-year store, about 17 units per square foot per week, compared to about 20 units for the Dairy Department and about 8 units for the store as a whole.)
R-9 unit sales	S-10	Although the Baked Goods Department provides the third-highest ______ ______ per square foot and the second-highest ______ ______ per square foot, the gross margin of 18% is slightly lower than the store average of about 18% to 20%.
R-10 dollar sales unit sales	S-11	The Baked Goods Department's slightly lower-than-average ______ ______ of about 18% is offset by the extremely high rate of turnover in the department (as well as the relatively small amount of store labor required to operate the department).
R-11 gross margin	S-12	Although the Baked Goods Department's gross margin of _____% is slightly *(lower ... higher)* than the store average, the annual rate of turnover is the highest of the six major departments -- about 125 turns per year. (CIRCLE THE CORRECT WORD)
R-12 18% lower	S-13	The rate of turnover for the Baked Goods Department is about _____ (HOW MANY?) turns per year, and is the *(highest ... lowest)* in the store. (The annual turnover for the Grocery Department is about 20 turns, for the Meat Department about 58 turns, for the Produce Department about 78 turns, for the Dairy Department about 41 turns, for the Frozen Foods Department about 39 turns, and for the store as a whole about 28 turns.)

R-13 125 (turns) highest	S-14	The Baked Goods Department's extremely high rate of turnover (about ______ turns per year) helps explain why the department provides the highest annual return on inventory investment of any department, even though the department's gross margin of about ____% is lower than the store average.
R-14 125 (turns) 18%	S-15	The Baked Goods Department produces the *(highest ... lowest)* annual return on inventory investment of the six major departments in a typical supermarket.
R-15 highest	S-16	The relatively low cost of inventory in the Baked Goods Department, coupled with the extremely high rate of ________________ in the department, accounts for the fact that the department produces the highest annual ____________ _____ ________________ ____________________ in a typical supermarket.
R-16 turnover return on inventory investment	S-17	Where does the Baked Goods Department rank among the six major departments in: • Rate of turnover? __________ • Dollar sales per square foot? __________ • Unit sales per square foot? ____________ • Return on inventory investment? __________
R-17 first (1) third (3) second (2) first (1)	S-18	In spite of the fact that the average rate of turnover in the Baked Goods Department is about ______ (HOW MANY?) times per year, recent store tests show that 70 out of 100 shoppers entering the store pass the Baked Goods Department and that only 40 out of 100 buy at least one bakery item.

R-18
125

2. Customer Attitudes toward the Baked Goods Department

S-19 That potential sales are high in the Baked Goods Department is indicated by the fact that ____ (HOW MANY?) out of every 100 shoppers entering the store pass the department and that about ____ (HOW MANY?) of those 100 buy at least one item from the department.

R-19
70
40

S-20 Other store tests show that almost 70% of all decisions to buy bakery items in the supermarket are made in the store. This -- coupled with the fact that only 40 out of every 100 shoppers buy bakery items in the supermarket -- indicates that ____________________ sales are high for the Baked Goods Department.

R-20
potential

S-21 Potential sales of bakery items would seem to be high, since about ____% of the Baked Goods Department's total sales are "impulse sales" wherein the decisions to buy such items are made in the store.

R-21
70%

S-22 Substantial sales increases are possible in the Baked Goods Department in the typical supermarket, as evidenced by the following:

- About ____ (HOW MANY?) out of 100 shoppers entering the store buy at least one bakery item, while ____ (HOW MANY?) out of 100 pass through the department;
- About ____% of all decisions to buy bakery goods are made in the store.

R-22
40
70
70%

S-23 Some store operators today are capitalizing on the fact that the Baked Goods Department, with its high-demand items and attractive impulse items, is an effective drawing card that has *(high ... medium ... low)* potential for increased sales.

R-23
high

S-24 By upgrading their merchandising efforts in the Baked Goods Department, stores are able to realize the potential for increased __________.

R-24
sales

PRODUCT MANAGEMENT IN THE BAKED GOODS DEPARTMENT

S-25 One way for store operators to realize the __________________ sales in the Baked Goods Department is to achieve a better sales balance between high-demand items (such as Bread and Rolls) and impulse items (such as Cakes and Pies).

R-25
potential

1. Sales and Margins by Product Type

S-26 In the Baked Goods Department of a typical supermarket, two high-demand items account for about 70% of the department's total dollar sales. The two _______-______________ items are: Bread and Rolls (non-sweet). (NOTE: White Bread accounts for the bulk of Bread sales.)

R-26
high-demand

S-27 Nearly $3 out of every $4 in Bakery Department sales, or about ____% of the total dollar sales, are accounted for by two ______-____________ product groups: Bread and Rolls (non-sweet).

R-27
70%
high-demand

S-28 The bulk of the customers shopping the Bakery Department probably buy one or more varieties of the two high-demand items: __________ or ________. In fact, some shoppers buy several varieties of these items, such as: White Bread; Rye Bread; Whole Wheat Bread; Cracked Wheat Bread; Hard Dinner Rolls; Soft Dinner Rolls; Hamburger Buns; Hot Dog Buns, etc.

R-28
Bread (or) Rolls

S-29 (TRUE or FALSE) Two high-demand product groups (Bread and Rolls) account for about 70% of the Baked Goods Department's dollar sales. __________

R-29
True

S-30 The two high-demand items in the Baked Goods Department are __________ and __________. Some major impulse items are Cakes, Sweet Rolls and Donuts, and Pies.

R-30
Bread (and) Rolls

S-31 Two high-demand product categories which account for about 70% of Baked Goods Department sales are Bread and Rolls. Some major impulse items in the department are ________, __________ ________, ____________ and ________.

R-31
Cakes, Sweet Rolls, Donuts, (and) Pies

S-32 Earlier we saw that the gross margin for the Baked Goods Department is about ____%, or slightly below the store average. The margins on some of the high-demand and impulse items contributing to that average are:

Item	Margin %
Bread	17%
Rolls (non-sweet)	19%
Cakes	21%
Sweet Rolls & Donuts	20%
Pies	25%

R-32
18%

S-33 The two high-demand bakery products (________ and ________) have a slightly *(higher ... lower)* margin than the impulse items in the department.

R-33
Bread (and) Rolls
lower

S-34 The difference between margins on high-demand items and impulse items in the Baked Goods Department is relatively *(great ... small)*. Thus, increasing sales of both types of items would be a more suitable way to increase profits than would increasing sales of one type at the expense of the other, assuming that a sound pricing plan is maintained.

R-34
small

2. Pricing Bakery Goods

S-35 To improve profits in the Baked Goods Department, it is best to try to increase sales of both the ________-_______________ items AND the __________________ items in the department (bu not one at the expense of another) while maintaining a sound pricing plan. The most common pricing plan is the % margin plan.

R-35
high-demand
impulse

S-36 The pricing plan most widely-used in the Baked Goods Department is the ___ ____________ plan. The formula for this pricing plan is:

$$\frac{\text{cost}}{100\% - \text{the desired margin}} = \text{selling price}$$

(NOTE: Some On-Premise Bakery operators today still use an old bakery shop formula for figuring retail prices for finished bakery goods. Ingredient costs are multiplied by three to pay for ingredients, labor and other expenses, and provide a 3% to 10% net profit.)

R-36
% margin

S-37 Determine the selling price of pound cakes which cost 39¢ each when the desired margin is 22%. Figure here:

R-37
50¢

S-38 Although it's necessary to have a definite pricing plan for baked goods, prices determined under the ___ ______________ pricing plan will probably be tempered by the competitive situation.

R-38
% margin

S-39 Bakery goods are ready for sale when they are priced according to a definate plan such as the ___ ____________ pricing plan. Now the elements of effective merchandising can be employed.

R-39
% margin

ELEMENTS OF EFFECTIVE BAKERY MERCHANDISING

S-40 The key elements of effective ________________ in the Baked Goods Department are: attractive display and aggressive promotion.

R-40
merchandising

1. The Display of Bakery Items

S-41 About ____ (HOW MANY?) out of 100 shoppers entering the store buy bakery items, and about ____% of the decisions to buy bakery items are made in the store. Therefore, attractive display and aggressive promotion are necessary to hold present customers and attract new customers.

R-41
40
70%

S-42 These four factors would be considered when providing attractive ___________ both for items on normal display and items on special display: proper lighting, position of displayed items, color contrast, and adequate selection.

R-42
display

S-43 Factors of attractive display (such as proper ______________, position of displayed items, color ______________, and adequate ________________) serve to:

- permit shoppers to see the products;
- stimulate customer interest;
- direct shoppers through the department, exposing them to all of the items for sale;
- fill all of the shoppers' bakery item needs.

R-43
lighting
contrast
selection

S-44 Match the following factors of attractive display with the expected results of each below.

____ proper lighting	a. directs shoppers throug the department exposing them to all of the items for sale.
____ position of displayed items	b. fills most of the shopper's bakery item needs.
____ color contrast	c. permits shoppers to see the products.
____ adequate selection	d. stimulates customer interest.

R-44
c
a
d
b

S-45 About 70 out of every 100 shoppers entering the typical supermarket pass the Baked Goods Department yet less than ____ out of every 100 buy bakery items. This probably means that aggressive promotion is also necessary to stimulate interest in the department and increase the number of shoppers purchasing bakery items.

R-45
40

2. The Promotion of Bakery Items

S-46 Several types of ________________ in the Baked Goods Department are:

- Seasonal and holiday promotions
- Tie-in promotions
- Sampling

R-46
promotions

S-47 Match the following bakery items with a possible seasonal or holiday promotion below.

• ____ Thanksgiving	a. Cherry Pie
• ____ George Washington's Birthday	b. Shortcake, Hamburge & Hot Dog Buns
• ____ Lenten Season	c. Fruit Cake
• ____ Summer	d. Hot Cross Buns
• ____ Christmas, New Years	e. Pumpkin Pie

R-47 e a d b c	S-48	The examples above indicate that ____________ and ____________ promotions can be effectively used in the Baked Goods Department. However, such promotions can be used only at certain times of the year, while tie-in promotions can be scheduled at any time.
R-48 seasonal (and) holiday	S-49	Match the bakery items with items that would create appropriate tie-in promotions. • ____ Hamburger Buns — a. Ice Cream • ____ Hot Dog Buns — b. Berries • ____ Dessert Shells — c. Wieners • ____ Cake — d. Barbecue (shredded Beef) • ____ Stuffing Cubes — e. Turkey
R-49 d c b a e	S-50	Seasonal and ______________ promotions and _____-____ ________________ are two effective types of promotions used in the Baked Goods Department. Sampling is also an effective type of promotion in the department.
R-50 holiday tie-in promotions	S-51	Permitting shoppers to taste bakery items before buying is known as ______________ and can be used continuously if necessary to promote items in the Baked Goods Department.
R-51 sampling	S-52	The visual interest plus the taste appeal possible through the use of ______________ can be used effectively in the Baked Goods Department.

R-52
sampling

S-53 We have now seen the two major elements of effective merchandising in the Baked Goods Department: ______________ ______________ (proper lighting, position of displayed items, color contrast, and adequate selection) and ______________ ______________ (seasonal and holiday promotions, tie-in promotions, and sampling). Now let's look at some of the major problems common to most Baked Goods Departments.

R-53
attractive display
aggressive
promotion

MAJOR PROBLEMS IN THE BAKED GOODS DEPARTMENT

S-54 Two of the major ______________ in the Bakery Department are damaged goods and outdated goods.

R-54
problems

1. Damaged Goods

S-55 Rough handling by deliverymen or driver/salesmen who sometimes stock the department's shelves, by store personnel who also stock the shelves, and by shoppers who patronize the department can result in bakery items becoming *(damaged ... outdated)*.

R-55
damaged

S-56 The major cause of damaged goods in the Baked Goods Department of a typical supermarket is rough ______________ by deliverymen or driver/salesmen, by store personnel, and by shoppers.

R-56
handling

S-57 Match the sources of damaged goods with the possible remedies below.

Sources	Remedies
● ____ shoppers rummaging through shelves.	a. checking condition of bakery goods on arrival and after the shelves are stocked.
● ____ deliverymen unloading bakery items and stocking shelves.	b. stocking shelves neatly, making location of items simple.
● ____ Store personnel stocking and rotating bakery goods.	c. careful handling when taking inventory and replenishing shelf stock.

R-57
b
a
c

S-58 Two major problems common to most Baked Goods Departments are ____________ ____________ and outdated goods, known as stales.

R-58
damaged goods

2. Outdated Goods

S-59 In the Baked Goods Department, outdated goods are commonly referred to as ____________.

R-59
stales

S-60 Suppliers of pre-packaged bakery goods usually have their deliverymen pick up outdated merchandise (or ____________) if their salesmen stock and rotate the goods they supply. When the goods are provided by the store's own warehouse, stales may result in lost profits if they are unsaleable because they are usually not returnable to the warehouse for credit.

R-60 stales	S-61	The fact that suppliers' driver/salesmen pick up __________ and provide a credit against the next order does not eliminate the possibility of shoppers' buying stale goods, especially if the deliverymen are lax in picking up stales and if store personnel fail to detect stales in their stock rotation operation.
R-61 stales	S-62	Stale bakery goods *(are ... are not)* easy for a shopper to detect in the store.
R-62 are not	S-63	If a shopper finds that she has purchased __________ bakery goods upon returning home, she will probably be irritated and may even refuse to shop the store's Baked Goods Department again.
R-63 stale/outdated	S-64	Two precautions store personnel must take to reduce the possibility of shoppers' buying outdated or __________ bakery goods are: • check the merchandise for freshness when it is delivered to the store; • follow a stock rotation procedure in the department, using code dates to detect and remove stales.
R-64 stale	S-65	There is little chance that shoppers will purchase and take home stale bakery items if: • the goods are checked for freshness when they are ______________ to the store; • a ________ __________ procedure is followed by personnel in the department to detect and remove stales.
R-65 delivered stock rotation		END OF SECTION II

III. OPERATIONS OF THE BAKERY DEPARTMENT

While a store's total baked goods operation may range from the relatively simple pre-packaged Baked Goods Department to the complex manufacturing operation of an On-Premise Bakery, the objectives of providing shopper satisfaction, increased sales, and increased profits are the same.

ORDERING OF BAKERY ITEMS

A key factor in the ordering of baked goods for the Baked Goods Department and the Fancy Baked Goods Section -- and in the ordering of ingredients for an On-Premise Bakery or semi-finished goods for a Bake-Off operation -- is the selection of reputable sources of supply. Important considerations in the choice of suppliers include: quality goods, reliable delivery, and competent personnel. If a supplier "measures up" in two of these areas, but not all three, the result may be extremely costly to the store in terms of lost sales, lost profits, and/or lost customers.

In addition, other factors must be considered for the various types of operations.

1. Baked Goods Department and Fancy Baked Goods Section

Ordering finished bakery goods from suppliers' driver/salesmen or from the central buying organization's warehouse must be based on accurate inventory records and records of past promotions and "special sales", so that adequate stocks of merchandise are on hand to fill shoppers' needs.

Inventory records, of course, are the true gauge of what is being sold in the department, and records of past promotions and "special sales" enable operators to come close to ordering the correct amount of merchandise for such events as they occur in the future.

Combined inventory records and records of past promotions and special sales also help operators determine which items suffer when others are featured as a "special". For example, a sale on Hamburger Buns might reduce the amount of Bread sold, or a Shortcake and Strawberry tie-in promotion might reduce the sales of Pies and Cakes during the feature period.

2. On-Premise Bakery

The ordering process in an On-Premise Bakery is more involved than in the other types of departments because two special sets of inventory records must be kept along with records of past promotions and "special sales". A set of inventory records is required for ingredients, and another one for finished goods.

The ordering process is more difficult for an On-Premise Bakery also because of the greater number of items that have to be ordered. Obviously, then, a great deal of advance planning is required.

3. The Bake-Off Operation

The ordering process in a Bake-Off type of operation is far less complicated than for an On-Premise Bakery, but still more difficult than for the Baked Goods Department or the Fancy Baked Goods Section. Before ordering semi-finished goods for the Bake-Off, a careful inventory of items on hand should be made and the code-dates of all un-baked items in stock should be checked. This is especially important because different items have different "holding times" -- the length of time an item may be kept at the store level without spoiling before it must be baked and sold.

After the inventory of all baked and un-baked items has been made, past sales records should be checked as well as up-coming plans for promotions and "special sales". Only then can a balanced order for semi-finished bakery items be prepared.

RECEIVING, HANDLING, AND STORING BAKERY ITEMS

As was true of the ordering process, the procedures for receiving, handling, and storing bakery items varies for the different types of operations.

1. Baked Goods Department

Receiving finished bakery goods involves carefully checking the quantities delivered against the invoice and the amount ordered, checking the items for quality and freshness, and stocking the newly-arrived goods or supervising the stocking of items upon delivery.

Driver/salesmen for outside suppliers usually put the items they deliver for the Baked Goods Department directly into stock, whereas store personnel usually stock items delivered from the grocery warehouse of a central buying organization.

The fact that the driver/salesmen may put the items they deliver in stock on the shelves or in the backroom does not mean that store personnel are completely free of responsibility and may go about other duties while such stocking is going on. In fact, the most important part of the receiving function is for a conscientious member of the store staff to check that deliverymen stock the correct quantities, rotate the merchandise properly, and pick up all stales and issue proper credit before leaving the store.

Close supervision of driver/salesmen is essential even though deliveries may be made several times daily because most stores order baked goods from more than a single supplier, and because some suppliers make more than one stop at the store each day or on busy days.

2. The Fancy Baked Goods Section

The same points mentioned regarding the receiving procedures in the Baked Goods Department also generally apply to the Fancy Baked Goods Section. However, an additional point must be considered in a Fancy Baked Good Section stocking refrigerated or frozen items -- namely, the need to move the items from the delivery truck to the cooler or freezer as quickly as possible, to prevent thawing which may damage the quality of the goods.

Similarly, in a clerk-service Fancy Baked Goods Section or in a simulated bakery shop arrangement where unwrapped fancy baked goods are sold, speed in unloading trucks and moving items into sealed storage cabinets or display cases is important for reasons of sanitation and to maintain freshness.

3. The On-Premise Bakery

The receiving and storage function is somewhat more difficult for an On-Premise Bakery because of the many types of ingredients purchased. Obviously, more detailed checking of the in-coming items against the order and invoice is required. Also more time is required to put the items into stock and to arrange them so they'll be conviently at-hand when needed during the baking operation.

Ingredients are usually received at the back door of the store and put into a special storage room within the baking facilities area, whereas pre-packaged and fancy baked goods delivered to the store in finished form are usually brought in through the front door for immediate stocking on the shelves.

4. The Bake-Off Operation

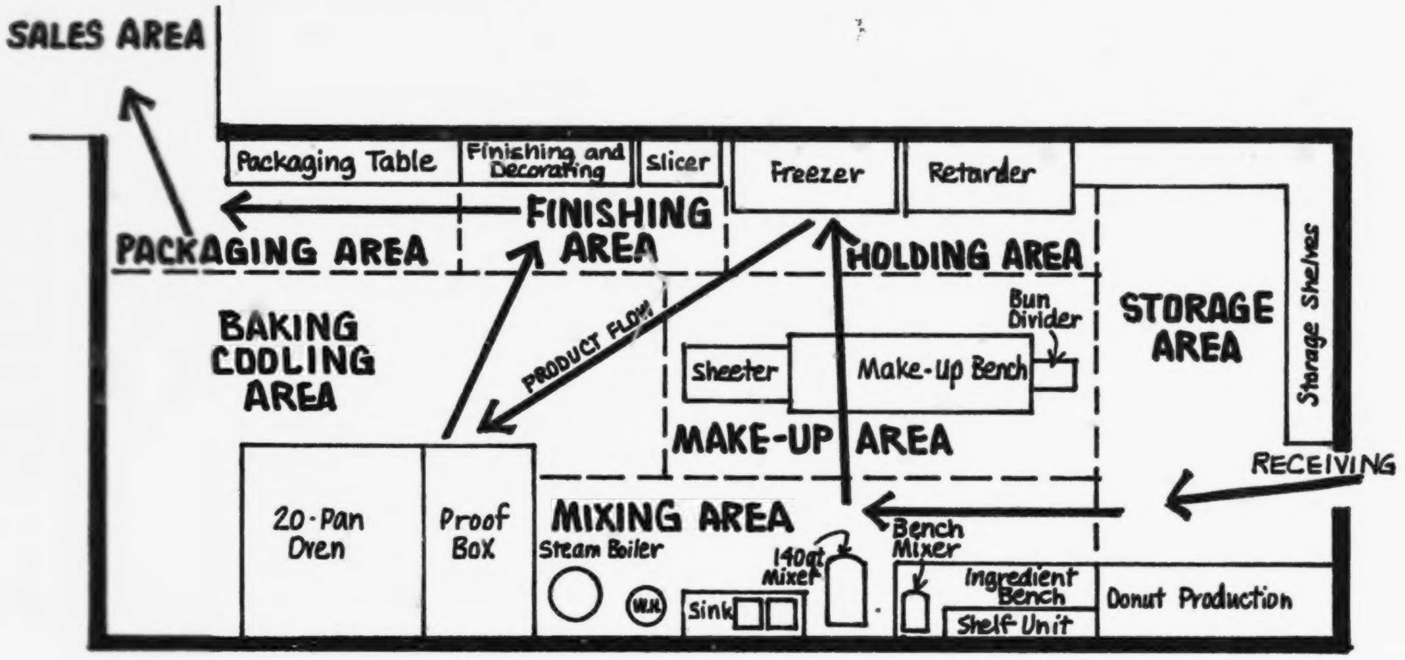
In a Bake-Off operation where semi-finished goods are received in the frozen state for later use, items must be unloaded from the delivery truck and put into the freezer quickly to prevent thawing. Further, special storage problems arise because of the need to "hold" various semi-finished items at different temperature and humidity levels before baking. Ideal storage conditions are necessary to control (retard, completely stop, or re-start) the activity of fermentation that occurs in yeast-type dough before it is baked.

The "ideal" storage conditions of temperature and humidity vary for different types of products. They also vary with the amount and type of yeast, shortening, and sugar used in the formulation of a particular type of product. Thus, personnel in a Bake-Off must adhere strictly to the standards established for the particular operation in their store.

LAYOUT OF BAKING FACILITIES IN THE ON-PREMISE BAKERY

The On-Premise Bakery is a complete manufacturing operation within the supermarket, where raw ingredients are transformed into finished products. The manufacturing operation begins when the ingredients are removed from storage for formulation into finished products. The efficiency (and therefore the profitability) of the entire On-Premise Bakery operation depends in large part on the proper layout of the baking facilities, so a smooth flow of products through the facilities is necessary.

The diagram below respresents a suggested 1200 square foot baking facility layout. About 500 square feet of this space is needed for equipment, with the remaining 700 square feet being used for work space and product movement. The arrows in the diagram indicate a straight line product flow wherever possible, to reduce unnecessary steps and backtracking. There are many other possible layouts for baking facility areas depending on the space available, equipment used, and anticipated sales volume.


SALES AREA
Packaging Table
Finishing and Decorating
Slicer
Freezer
Retarder
PACKAGING AREA
FINISHING AREA
HOLDING AREA
STORAGE AREA
Storage Shelves
BAKING COOLING AREA
PRODUCT FLOW
Bun Divider
Sheeter
Make-Up Bench
MAKE-UP AREA
RECEIVING
20-Pan Oven
Proof Box
MIXING AREA
Steam Boiler
W.H.
Sink
140qt. Mixer
Bench Mixer
Ingredient Bench
Shelf Unit
Donut Production

SELF-QUIZ

Self-Study Unit #11

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you have just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (TRUE or FALSE) The Baked Goods Department is generally more expensive to operate than the Fancy Baked Goods Section, the On-Premise Bakery, or the Bake-Off because labor costs and equipment costs are relatively high for this type of department. (I-1) __________

2. Two major advantages of placing the Baked Goods Department near the end of the traffic flow in a supermarket are: (I-2 and I-3)

   (a) Shoppers may be rushed and may either skip the department entirely or may quickly shop the department, limiting their purchases to high-demand items only.

   (b) Shoppers must pass through other departments in order to reach needed high-demand items in the department.

   (c) Shoppers generally react better to impulse items at this point in the shopping trip.

   (d) There is not as great a chance of fragile bakery items being damaged in the shopping cart if purchased at this point in the shopping trip.

3. (TRUE or FALSE) In the "horizontal layout" of a Baked Goods Department, Bread is shelved in the center of the gondola on one shelf, with impulse items on either side. (I-4) __________

4. In the "Sandwich layout" of gondolas in the Baked Goods Department what items or products are placed on the top and on the bottom shelves? (I-5)

   ____

5. (TRUE or FALSE) In the "Vertical layout" of gondolas in the Baked Goods Department, White Bread is placed at the far end of the section on each shelf of the gondola in an attempt to draw shoppers through the entire department. (I-6) __________

6. (TRUE or FALSE) For maximum sales, Fancy Baked Goods should always be located next to the Baked Goods Department. (I-7) __________

7. (TRUE or FALSE) The On-Premise Bakery should be located at the front of the store so that the aroma from the fresh baked goods reaches all parts of the store. (I-10) ________

8. (TRUE or FALSE) High-demand items are usually placed in the wall cabinets rather than in the counter displays cases in an On-Premise Bakery or Bake-Off in order to stimulate impulse sales. (I-11) ________

9. (CIRCLE THE CORRECT ANSWER) Bread and Rolls, the two primary high-demand items in the Baked Goods Department, (are ... are not) important in influencing a pre-determined traffic pattern in the store. (II-1, S-3)

10. The Baked Goods Department in the typical supermarket contributes _____% of total dollar sales and _____% of total gross profit dollars. (II-2, S-5)

11. Of the six major departments in a typical supermarket, the Baked Goods Department ranks: (II-2 to II-4, S-7 to S-14)

- _____ in dollar sales per square foot;
- _____ in unit sales per square foot;
- _____ in annual rate of turnover; and
- _____ in annual return on inventory investment.

12. (CIRCLE THE CORRECT ANSWER) The average % of gross margin for the Baked Goods Department (is ... is not) higher than for the store as a whole. (II-3, S-10)

13. The annual rate of turnover for the Baked Goods Department is about: (II-3, S-12)

☐ 40 turns
☐ 78 turns
☐ 125 turns
☐ 58 turns

14. What portion of the shoppers entering a typical supermarket buy at least one item from the Baked Goods Department? (II-4, S-18)

☐ 58 out of every 100
☐ 90 out of every 100
☐ 70 out of every 100
☐ 40 out of every 100

15. (TRUE or FALSE) Two high-demand items in the Baked Goods Department account for over twice the dollar sales of all the impulse items combined, thus indicating a great potential for increased sales in the department. (II-6, S-26)

____

16. The difference in the % of margin on high-demand and impulse items in the Baked Goods Department is (large ... small), even though the high-demand items account for about _____% of the department's total dollar sales. (II-6 and II-7, S-26 and S-32)

17. (TRUE or FALSE) Proper lighting is an important factor in the display of bakery items in the Baked Goods Department. (II-9, S-42) ________

18. Which two of the following would be appropriate seasonal or holiday promotions in the Baked Goods Department? (II-10, S-47)

☐ Hamburger and Hot Dog Buns for Christmas.
☐ Pumpkin Pie at Thanksgiving.
☐ Shortcake Shells for Easter.
☐ Hot Cross Buns during the Lenten season.

19. Displaying and promoting Shortcake Shells with fresh Strawberries in the Produce Department would be a good example of a ______-____ promotion of Baked Goods Department items. (II-11, S-49)

20. (TRUE or FALSE) Keeping the shelves in the Baked Goods Department neat at all times and making the location of items in the department simple can help to minimize the amount of damaged bakery items due to rough handling by customers. (II-13, S-57) ________

21. (TRUE or FALSE) Suppliers' driver/salesmen who are responsible for stocking and rotating the goods they deliver usually pick up stales and provide a credit against the next order. (II-13, S-60) ________

22. (TRUE or FALSE) The fact that suppliers' driver/salesmen usually stock and rotate the goods they deliver eliminates the worry that customers may buy stale bakery products. (II-14, S-61) __________

23. What are three primary considerations in selecting a source of supply for bakery ingredients or finished or semi-finished bakery goods? (III-1)

☐ allowances available
☐ quality goods
☐ sales promotional material provided
☐ reliable delivery
☐ competent personnel
☐ new trucks

24. Besides the records of past promotions and "special sales", the On-Premise Bakery must keep two sets of inventory records -- one for ________________, and one for ________________ __________. (III-1)

25. (TRUE or FALSE) Storage of semi-finished items in a Bake-Off operation is no problem because these items are usually delivered to the store in the frozen state. (III-3) __________

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 12

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

The Front End

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #12

Through the large plate glass windows of a supermarket, the customer sees a row of check-out counters, and only behind it, the merchandise displayed on shelves. The Front End gives the customer her first and last (and most lasting) impression of a supermarket. If the cleanliness of the area, the courtesy and friendliness of the personnel, and the speed and efficiency of the check-out process impress her, she may well become one of the store's regular customers.

In Self-Study Unit #5, we saw the importance of providing customer-centered service in all phases of the store's operation, from the time the customer enters the store till she leaves with her purchase. As we'll see in this Unit, personnel at the Front End have a golden opportunity to provide customer-centered service and create a favorable store image in their daily contacts with customers. Specifically, in this Unit we will study:

Section I. THE FRONT END

- A. Importance of the Front End
- B. Location and Layout of the Front End
- C. Customer Services at the Front End
- D. Merchandising at the Front End

Section II. THE CHECK-OUT OPERATION

- A. Importance of the Check-out Operation
- B. The Use of Check-out Teams
- C. Scheduling Front End Personnel
- D. Ringing-up Customer Purchases
- E. Handling the Cash Transaction
- F. Major Problems of the Check-out Operation

Section III. PREVENTING PILFERAGE AT THE FRONT END

Section IV. BAGGING AND CARRY-OUT

- A. Bagging Customers' Purchases
- B. Carry-Out

I. THE FRONT END

The Front End in a supermarket is not a money-making department. Rather, it is a necessary service operation through which all the supermarket's customers must pass. It is part of each department's overhead, just as the building maintenance and the back-room are.

IMPORTANCE OF THE FRONT END

The Front End operation in a supermarket includes both the check-out counters and the various other customer services which are often grouped together in a "courtesy booth" or "customer service center."

The Front End personnel -- the checkers and the courtesy booth personnel -- perform a double function. They not only handle all cash transactions in the store, but they also serve an important public relations function.

- Cash transactions for the entire supermarket are taken care of by Front End personnel. Checkers complete the exchange of merchandise for cash. "Courtesy booth" personnel cash checks, issue Money Orders, and handle various other cash transactions.

  In addition, the Store Manager, Head Checker, or Front End Manager takes care of regulating cash pick-up from the registers and balancing them at the end of the day, as well as the more complicated financial calculations which running a large business like a supermarket requires -- budgeting cash requirements, making bank deposits, etc.

- In its public relations function, the Front End is easily the major image-making center in a supermarket. It is the first area a customer sees when she enters the store and the last stop she makes on her way out of the store. Even though the displays and merchandise must sell themselves in a self-service store, the Front End in a sense functions as the "sales force" for the whole store.

  With the advent of total or near-total self-service, the checker is often the only store employee with whom a customer has any direct contact. The effects of this contact carry over even after the customer has left the store. Hard-to-carry packages, bags that tear, and errors caught when the shopper checks her cash register tape at home can negate the favorable impression produced by a supermarket's attractive decor, quality products, and low prices. On the other hand, the courtesy, friendliness, and accuracy of the checker will create a positive and lasting impression in a customer's mind.

LOCATION AND LAYOUT OF THE FRONT END

1. Location of the Courtesy Booth

The Courtesy Booth is found in various locations. If the Head Checker or Front End Manager mans both the Courtesy Booth and an express check-out lane, there is often a close connection between the two. (SEE DIAGRAM A) On the other hand, if the Courtesy Booth is manned by another employee, it may be separate from the checkstands. (SEE DIAGRAM B) The location of the Courtesy Booth depends on its function in the particular supermarket.

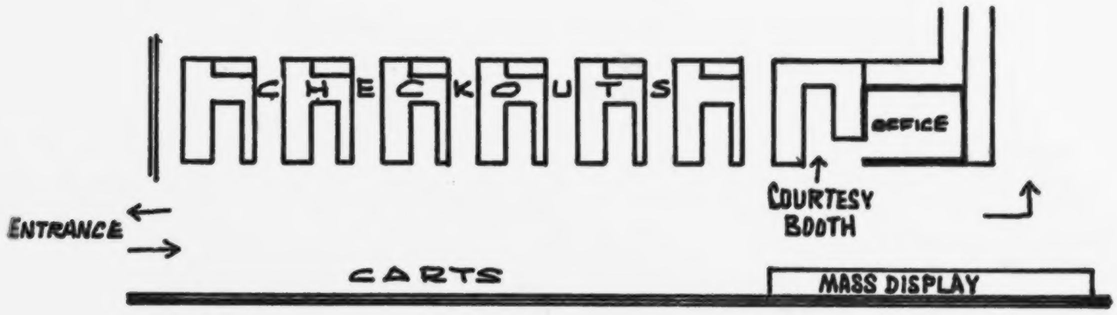


DIAGRAM A

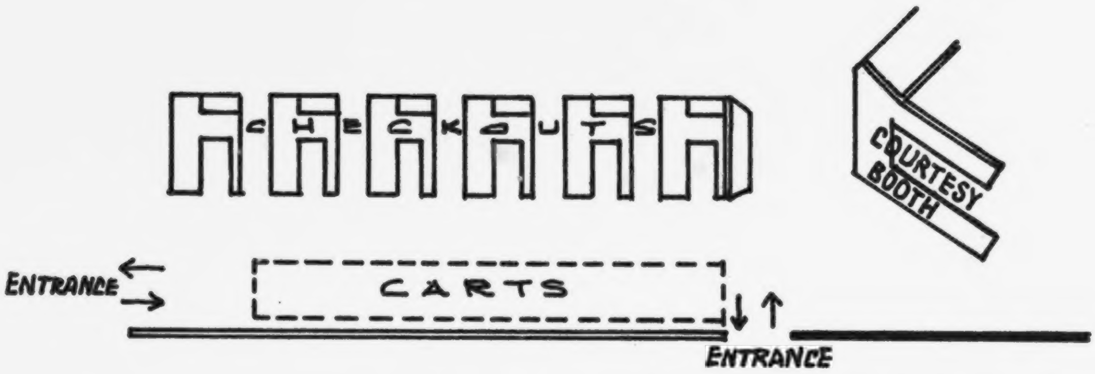


DIAGRAM B

2. Location and Layout of the Checkstands

The layout of the check-out counters is the same in most supermarkets -- a straight row across the front or side of the store. This is more efficient in terms of supervising the check-out operation and guiding customers in a pre-determined traffic pattern than if the checkstands were divided between a front and a back exit.

Even though the basic function of the check-out operation is the same in all stores -- completing the cash transaction and bagging the customers' purchases -- there is considerable variation in the design of checkstands from supermarket to supermarket. One significant difference stems from the practice in some stores of including produce weighing as a check-out function.

Weighing produce at the checkstand instead of in the Produce Department may be advantageous in stores with small produce volume if the savings in labor costs and space off-set the slow-down in the checkout operation. (SEE DIAGRAM C)

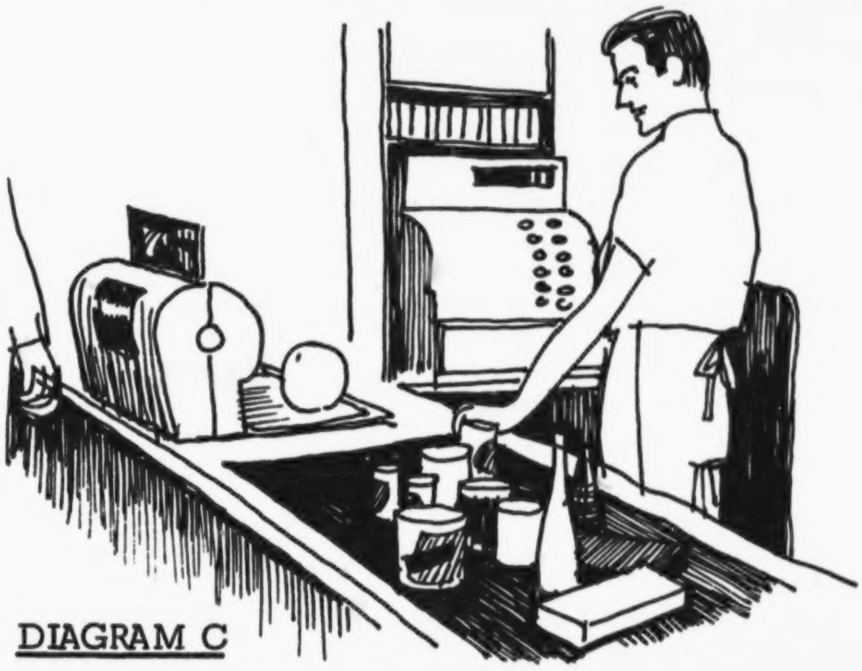


DIAGRAM C

Another important difference in the lay-out of the check-outs lies in the design and operation of the conventional customer-unloading checkstand (SEE DIAGRAM D) versus that of the checker-unloading split checkstand: (SEE DIAGRAM E).

Some advantages of using split checkstands where checkers handle the unloading of the shopping carts are:

- Makes the customer's shopping trip easier -- all that is left for her to do is select her purchases and place them in the cart!
- Reduces the opportunity for pilferage and breakage on the part of the customer.
- Since the shopping carts do not exit through the aisle with the customer, there is no chance that large items on the bottom shelf of the cart will be missed as the checker rings up the customer's purchases.

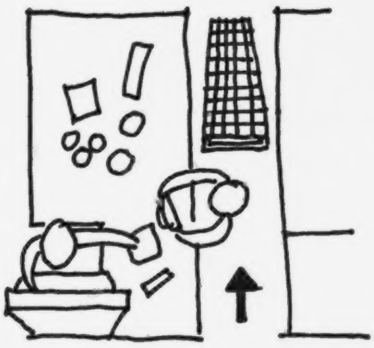


DIAGRAM D

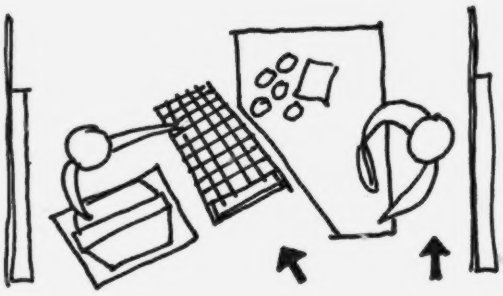


DIAGRAM E

Some of the major disadvantages of the practice of checker-unloading are:

- Added strain is put on the checker from having to bend over to unload the carts.
- Loss from items not rung up is high, as there is a tendency to ring up several items at a time and then remove them from the cart in order to save bending over.
- Ring-up speed is greatly cut down, causing delays for shoppers and difficulty in balancing out the work load for the use of checkstand teams (checker-bagger teams or checker-bagger-cashier teams).

In stores that use customer-unloading checkstands, a feed belt (SEE DIAGRAM F) or a disc (or turn-table) checkstand (SEE DIAGRAM G) not only saves the checker from having to reach for items, but also allows the next customer in line to start unloading her order while the previous customer is being checked out.

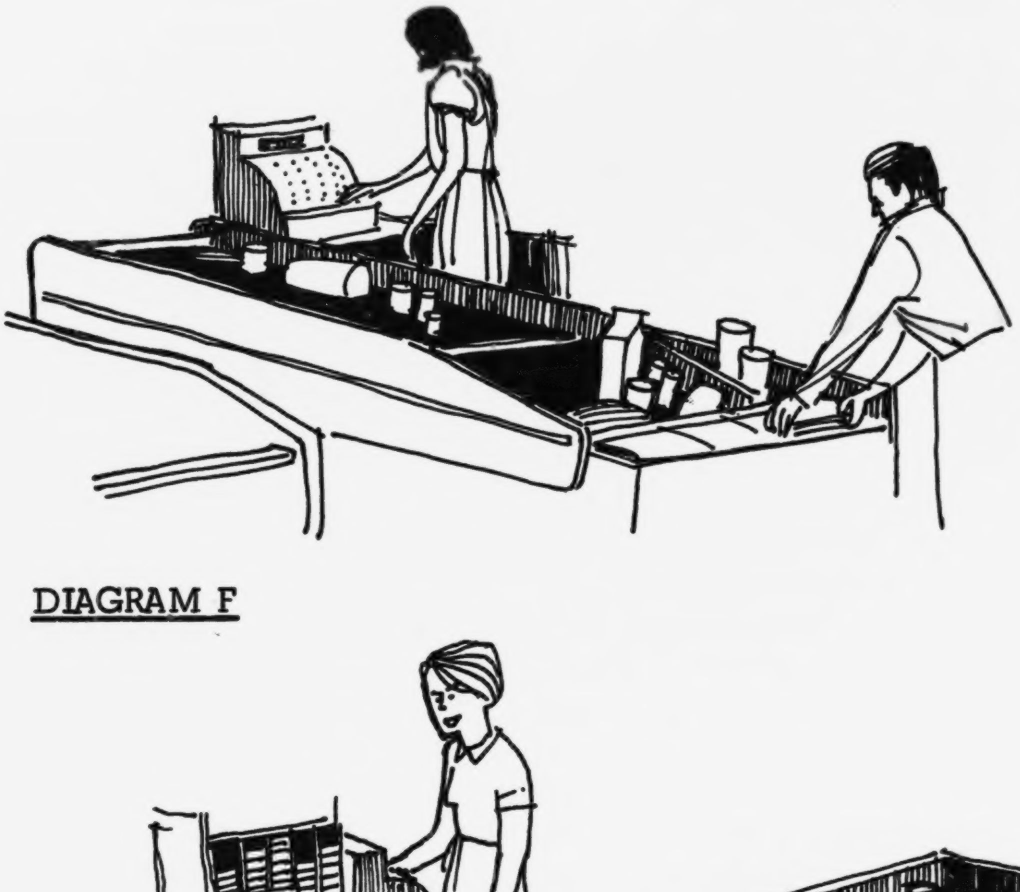


DIAGRAM F

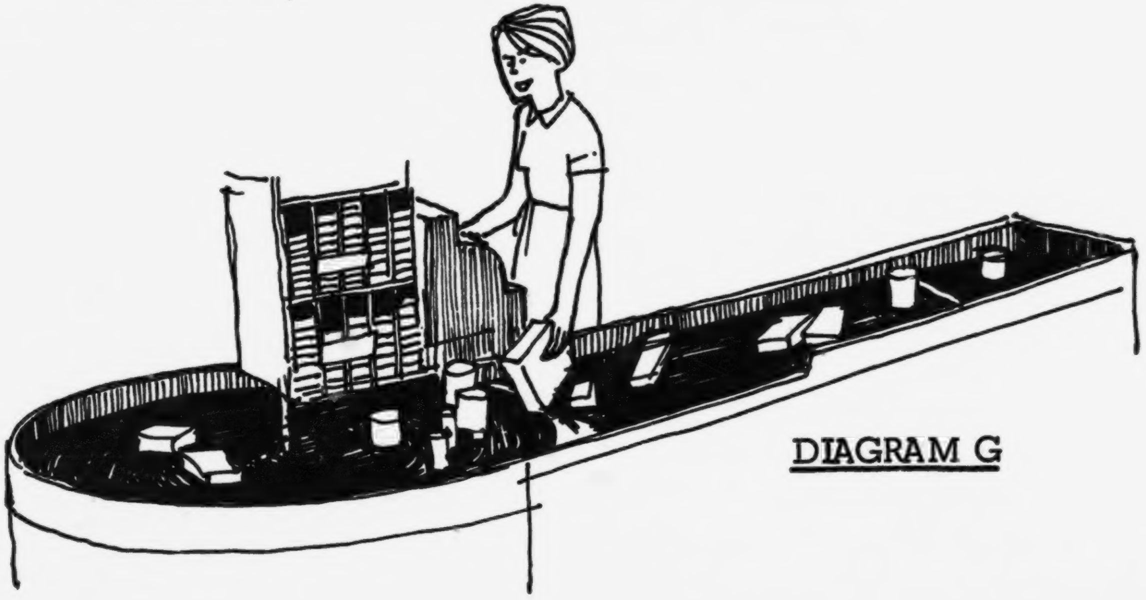


DIAGRAM G

Studies have shown that a belt or disc checkstand speeds up the check-out operation considerably. The width of the feed belt varies from checkstand to checkstand, but the disc usually has a diameter of 48 inches. Many stores use checkstands that also have a feed belt which conveys rung-up items to the bagger at the far end of the checkstand.

Special items of equipment which add to the efficiency of the check-out operation are:

- Order separators. A movable bar which a customer or the checker places between orders helps to eliminate confusion and prevent getting customers' orders mixed together.

- "Profit and Loss" or P&L bars. A metal bar extending completely across the check-out counter forces the checker to lift each item as she rings it up. The loss in productivity which the extra motion creates is probably off-set by the resulting improvement in checker accuracy.

- Mirrors which allow the checker to see the bottom shelf of a shopping cart minimize the failure to ring-up items which are not placed on the checkstand.

  Other methods of solving the same problem are: require checkers to ring-up items on the bottom shelf first; remove the bottom shelf from the shopping carts altogether; have a separate exit aisle for customers and carts; and not allow the carts that exit through the checkstand to leave the store, but provide other carts for customers to use in transporting their purchases to their cars.

- Safety boxes. A special metal lock-box in each register permits checkers to deposit bills by $100 increments and thereby cuts down on the frequency of cash pick-ups required during peak times.

- Trading-stamp dispensers or trays. Stores which offer trading stamps store them in one of two ways: in trays (where they are divided into compartments on the basis of blocks of a certain number), or in a stamp dispenser (in rolls of various denominations). Most dispensers have a built-in counter to keep track of the stamps issued. Some are even motorized and issue stamps automatically when the cash register computes the total on the order.

  The advantages of stamp dispensers are obvious: they eliminate a time-consuming activity from the checker's many duties, and they are more accurate than manual dispensing of stamps -- a saving for the supermarket.

- Bagging shelves. Special bagging shelves (about 17 to 18 inches high) at the ends of the checkstands ease the work of the baggers and lessen the strain of lifting.

In addition to these miscellaneous items of equipment, various styles and models of cash registers offer various special features. Although the basic design of all cash registers is pretty much the same, certain features available on some models add to the ease of operation and the accuracy of the record:

- Department totals. Standard registers allow for ringing-up items under the categories of Meat, Produce, Grocery, and Miscellaneous. However, with these limited categories, it is hard to determine the sales and profits of other departments. As a result, some supermarkets now use cash registers with additional department keys such as Dairy, Delicatessen, Non-Foods, etc., in an effort to keep more accurate records of the operations of other departments

- Subtotal and total keys. This feature is only as recent as 1948. Before the subtotal and total keys became standard equipment on cash registers, the checker used a totalizing lever and the motor bar.

- Selective itemizing. When state taxes apply to some items and not to others, this feature eliminates manual sorting of an order before it can be rung up. Taxable items can be rung up at any time and a correct subtotal of the taxable items will be obtained at the end of the ring-up operation.

- Repeat. A motorized repeat feature allows several items of the same price and same department to be recorded automatically without re-indexing the price (punching the keys). On other registers, a special repeat key is used to indicate the number of times the identical registration is to be repeated.

- Credit keys. Credits due the customer for coupons, voided items, bottle deposit slips, and refunds are checkstand problems which are efficiently solved through the use of special subtract keys.

- Automatic change dispenser. A remote-control machine returns change to the customer side of the checkstand, relieving the checker of the time-consuming change-making operation.

- Automatic change computer. After a customer's purchase has been totaled, the amount the customer has given the checker is rung-up on the "Amount Rendered" key. When the checker then presses the "Change" key, the cash register and the register tape show the exact amount of change due the customer

The design of check-out equipment is important to a supermarket not only in terms of convenience and ease of operation, but also in terms of appearance. A row of checkstands is bound to be a conspicuous feature in any store. The wide variety of checkstand makes and models, as well as other check-out equipment, attests to the concern for providing an impressive Front End.

CUSTOMER SERVICES AT THE FRONT END

As indicated earlier, the Front End is the heart of a store's customer-service operation. Two important customer-service functions provided at the Front End are the express check-outs and the courtesy booth.

1. Express Check-out Lanes

Express check-out counters can be the source of good customer service and good will. They can provide fast service to customers with small orders and improve the over-all check-out operation in a supermarket. Checking small orders out at an express check-out increases the average order size at the remaining checkstands, with the result that the work load is better balanced.

In many supermarkets where the traffic does not warrant a checker full-time at the express checkstand, the Head Checker is in charge of the express lane and the courtesy booth. In any case, an experienced checker is a necessity for the smooth operation of an express lane, because the number of problems that arise at the express checkstand make it an extremely vulnerable area in terms of customer relations.

The maximum order size at the express check-out counter varies from store to store, but usually ranges from five to twelve items. The number of items should be geared to the peak periods. When the traffic is overwhelmingly heavy at peak times, a reduction of the maximum order size or the addition of a second express lane is in order.

2. Courtesy Booth or "Customer Service Center"

Checking is a complicated job. Requiring checkers to cash checks and handle bottle returns can both slow down the check-out operation and reduce the checkers' accuracy during peak periods. Freeing the checkers from any tasks which could interfere with their speed and accuracy is perhaps the chief advantage of the courtesy booth. In a store large enough to warrant the expense of maintaining one, a courtesy booth can have some other important advantages:

a. It allows a closer check to be made on bottle returns.

When bottle returns are taken care of at the check-out counters, customers must carry the empties with them all the way through the store, taking up room in the cart, providing an annoyance to the customer, and taking up room at the counter. The courtesy booth can provide a central place for handling bottle returns and consolidating the returns for ease in store pick-up. Also, bottles are not left lying around for someone to pick up and turn in for another deposit refund. (Some stores, however, find it better to give customers a receipt for bottle returns at a place near the backroom.)

b. It provides a central point for handling return merchandise and taking care of customer complaints.

Centralizing the responsibility for handling of returns and complaints can provide closer control on refund policies and boost the supermarket's image in the eyes of the public through the diplomatic handling of customer complaints. When every checker has to fulfill the role of public relations representative and handle the sometimes-complicated question of refunds besides, the results are understandably less uniform than when the services can be handled by one person. Both in terms of the store image and efficiency centralizing responsibility can pay off for the supermarket.

c. It provides a central point for cashing checks for customers.

One of the most important services in the supermarket, from the point of view of the customer, is check-cashing. Almost all supermarkets cash checks for their customers. In fact, the value of checks cashed in a store is often two or three times the store's sales volume. Most stores don't charge customers for the check-cashing service, even though bank charges and losses from bad checks make it a costly service for the supermarket to perform.

Supermarkets rank second after department stores as victims of bad-check passers. If we consider the average net profit of a supermarket to be 1.3%, then $2,300 worth of merchandise must be sold to make up the net profit lost on a $30 bad check. However, supermarkets feel that customer satisfaction justifies the expense of providing check-cashing service. And, in addition, a person cashing a check in a supermarket is likely to spend more money there!

Check-cashing procedures vary in different supermarkets. There are no hard and fast rules, but the best principle to follow is know the customer. Bad-check passers become uncomfortable in an atmosphere of friendliness and awareness. In addition, special precautions should be taken with:

- out-of-state checks
- checks of persons who have had previous checks returned by a bank
- payroll checks with the company name typed or rubber stamped
- pre-dated checks
- post-dated checks
- second-party personal checks with the first endorser unknown
- checks on which the amount is not plainly written
- checks with difficult-to-read signatures

Many stores place limits on the types of checks cashed and the amounts, such as: payroll checks and personal checks for not more than $50.

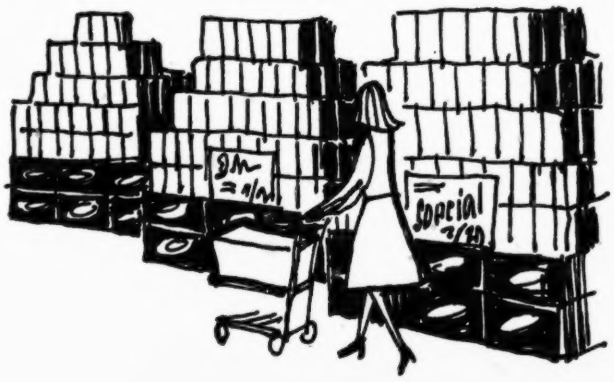
If all check-cashing activity is centered at the courtesy booth, various protective devices may be used to guard against the passing of bad checks.

- A picture may be taken of each person cashing a check.
- The person's signature may be checked against a file of approved check cashers.
- The customer may be issued a plate or card to identify him or her as one who has the privilege of cashing checks at that store or at any of the company's stores.

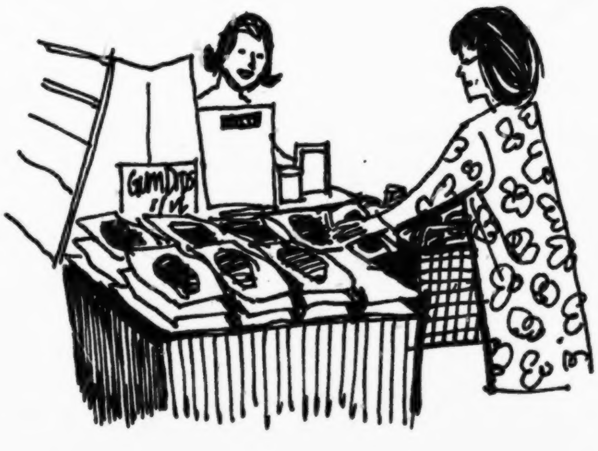
In stores where checks are cashed at the check-out counters, they are usually OK'd first by either the Store Manager or the Head Checker. Obviously, this delays the check-out operation. Also, forged OK's are a problem that can arise because of the distribution of responsibility when different people perform each function. The centralization of check-cashing in a courtesy booth can eliminate this problem and bring the operation under closer control.

MERCHANDISING AT THE FRONT END

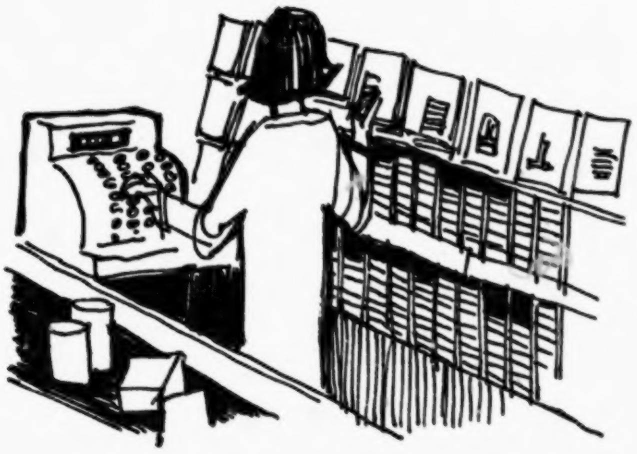
As we saw earlier, the Front End is the center for all cash transactions and is the key "public relations department" in the supermarket. However, the Front End also serves an important role in the merchandising activities of the store. For example, many stores regularly use displays at the Front End, such as:

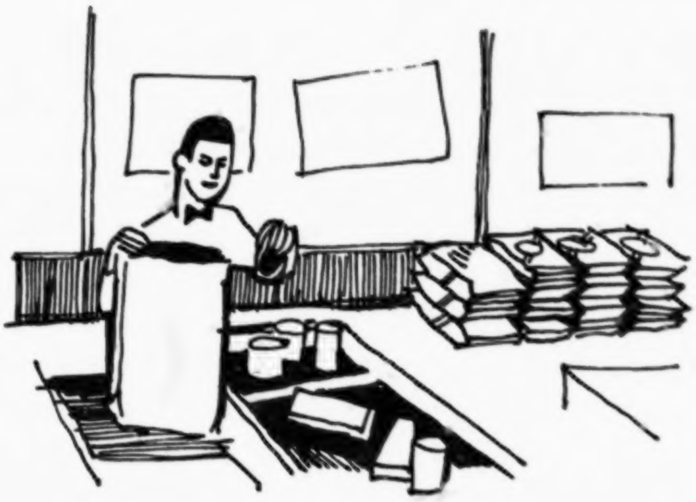


Displays of advertised staple items near the front entrance to attract the attention of shoppers as they enter the store and get them in a "buying mood" early in their shopping trip.



Displays of high-margin impulse items (such as candy, toys, and seasonal items) in front of each checkstand to attract customers waiting in line to be checked-out.





Displays of small, high-margin impulse items (such as magazines, razor blades, cigarettes, and candy) on the side of the cash register, on the checkstand, or behind the checker to attract customers as they're being checked-out.

Displays of bulky products (such as large bags of dog food and charcoal) near the main exit, just beyond the checkstands, to attract shoppers while and after they're being checked-out.

Through the use of displays at the Front End, the store is able to convert expensi floor space into an important sales- and profit-maker.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE CHECK-OUT OPERATION

IMPORTANCE OF THE CHECK-OUT OPERATION

	S-1	The principles guiding the check-out operation necessarily differ from those guiding the operations of the other departments in a supermarket. The ____________________ operation doesn't make money for the store, but comprises part of the store's operating expenses or overhead.
R-1 check-out	S-2	The check-out operation, as well as the courtesy booth, is part of a supermarket's _______________. Thus, a supermarket seeks to keep Front End costs as low as possible.
R-2 overhead	S-3	Since a supermarket does not make money on the Front End, it seeks to keep __________ low.
R-3 costs	S-4	Because the Front End can be considered part of the store's ________________, a supermarket tries to keep its Front End costs ______ while at the same time providing good customer service.
R-4 overhead low	S-5	The checker is often a customer's only contact with a supermarket's personnel. Therefore, it is important for store personnel working at the Front End to provide good customer ______________ and thereby create a favorable store image.
R-5 service	S-6	The most important result of good ______________ ______________ at the Front End is a favorable store image.

R-6 customer service	S-7	The checker may be the only store employee with whom customers come in contact during a shopping trip. The good service which she gives helps create a favorable ________ ________ for the supermarket.
R-7 store image	S-8	Because the Front End is part of the store's ____________, it tries to keep down the Front End costs, the major portion of which is labor. At the same time, the store tries to create a ____________ ________ ________.
R-8 overhead favorable store image	S-9	Every supermarket customer passes through a checkstand on her way out of the store. Therefore, the checker has many opportunities to create a favorable store image through the good ____________ ____________ which she gives. In fact, about 1500 customer transactions are handled at the average checkstand in a week's time, with the average customer transaction amounting to about $4.85.
R-9 customer service	S-10	Besides handling the exchange of cash for groceries and non-food items, the checker is important in the creation of a favorable ________ ________.
R-10 store image	S-11	The average number of transactions per check-out counter per week is about: ☐ 500 ☐ 2500 ☐ 1500 ☐ 3000
R-11 1500	S-12	The checkers at a check-out counter complete about ______ (HOW MANY?) transactions a week. This is about 25 transactions an hour.

R-12 1500	S-13	At one checkstand, a checker completes about 25 transactions an hour. This means that she functions as a public relations representative of the supermarket ____ (HOW MANY?) times an hour.
R-13 25	S-14	One checkstand takes care of about ________ (HOW MANY?) customer transactions a week or about ____ (HOW MANY?) transactions an hour per checker. In the process, the checkers working the checkstand handle about $7000 per week in sales.
R-14 1500 25	S-15	The average customer transaction in a typical supermarket is about $4.85. Approximately 1500 customer transactions are completed at each checkstand per week, representing about $________ in weekly sales.
R-15 $7000		**THE USE OF CHECK-OUT TEAMS**
	S-16	The average number of transactions completed in an hour at one check-out counter (____ transactions) and the average weekly sales per counter (about $________ per week) are increased by the use of the check-out teams. In an hour, a checker-bagger team can handle about 43 transactions of an average size of $4.85 each.
R-16 25 $7000	S-17	No matter how long they may have taken in shopping, customers do not like waiting to be checked-out. When they have selected their purchases, they are ready to go, and want to leave the store as soon as possible. One checker can handle only about ____ customer transactions averaging about $4.85 each in an hour, but a checker-bagger combination can handle about ____ transactions an hour.

R-17 25 43	S-18	When a store is very busy, significant economies in time can be achieved with the addition of a bagger to the checker. The supermarket benefits in being able to complete more transactions per hour. And, the customer is not irritated by a long wait in line at the check-out counter. A ____________-___________ combination can handle about ____ (HOW MANY?) customer transactions an hour.
R-18 checker-bagger 43	S-19	The checker-bagger team can be very important both to the store and to the customer in terms of saving __________. Whereas a checker working alone can service only 25 customers an hour, a checker-bagger team can service about ____ customers. A checker-bagger-cashier combination can service as many as 72 customers an hour.
R-19 time 43	S-20	Some stores which transact a large volume of business make use of a checker-bagger-cashier team during peak periods. How many customers can this team service an hour? ☐ 25 ☐ 62 ☐ 43 ☐ 72
R-20 72	S-21	During peak times, a supermarket may use a three-man check-out team consisting of a ___________, a ___________, and a _____________. This team can handle about 72 average-sized customer transactions an hour.
R-21 checker bagger cashier	S-22	In rush periods, a checker and bagger together can service about ____ customers an hour. A large supermarket might use a checker-bagger-cashier team, which can service about ____ customers an hour. In any supermarket, the decision about how many checkstands to have open at any given time and when to use a team instead of a checker alone should depend on an analysis of traffic at the check-outs.

SCHEDULING FRONT END PERSONNEL

R-22 43 72	S-23	An analysis of ____________ at the check-out counters is the key to effective scheduling of Front End personnel. Such an analysis would normally be based on a periodic count of customers on an hour-by-hour basis over the course of a full week.
R-23 traffic	S-24	The operation of the checkstands, more than the operation of any department in the supermarket, is dependent on the flow of customers in the store. Thus an analysis of the traffic at the check-outs -- based on a periodic tally of the number of ______________ served each hour during the week -- provides a key to effective ________________ of personnel.
R-24 customers scheduling	S-25	The variation in traffic at the check-outs is an important consideration in effective __________________ of Front End employees. Another important consideration is the average order size.
R-25 scheduling	S-26	One factor to be considered in scheduling Front End personnel is the flow of ____________ at the check-outs. Because a checker must perform time-consuming operations like totalling, computing tax, waiting for the customer to hand her the money, and making change no matter how small an order is, the average __________ ______ must also be considered in scheduling.
R-26 traffic order size	S-27	(TRUE or FALSE) Since a checker must perform certain time-consuming operations (like making change) no matter what size the order is, the smaller the average order size, the less money a checkstand handles in an hour. ________

R-27 True	S-28	A checkstand handles proportionately less money per hour with a small average order size than with a large average order size. Therefore, a two- or three-man team probably *(would ... would not)* be profitable at a checkstand when the average order size is small. (CIRCLE THE CORRECT WORD)
R-28 would not	S-29	To determine how many checkers to have on hand at any given time and when to use check-out teams profitably and effectively, the Head Checker or Front End Manager should regularly compute the average __________ ________ on an hour-by-hour basis over the full week.
R-29 order size	S-30	Because of the additional labor cost involved, a two- or three-man check-out team probably wouldn't be desirable at a checkstand where the average order size is *(large ... small)*. (CIRCLE THE CORRECT WORD)
R-30 small	S-31	Two important factors to consider in scheduling Front End personnel and determining when to use check-out teams are: • the ______________ at the check-outs; and • the average __________ ________.
R-31 traffic order size	S-32	In summary: a supermarket attempts to keep Front End costs ______ while at the same time providing good ______________ ______________ in order to create a favorable __________ __________. It does so partially through effective scheduling of Front End personnel, and also by maintaining speed and accuracy in ringing-up customer purchases.

R-32
low
customer service
store image

RINGING-UP CUSTOMER PURCHASES

S-33 Each checker's accuracy in ringing-up items directly affects the profits of a supermarket, since the register tape is the store's only record of the transaction. Studies show that supermarkets lose much more money as a result of mistakes in ____________________ items than as a result of errors in change-making.

R-33
ringing-up

S-34 Mistakes in ringing-up items on the cash register result in a *(greater ... smaller)* loss for the store than errors in change-making. Of all the possible checker errors, the only one which is always in the store's favor is ringing-up a special-sale item at the regular price.

R-34
greater

S-35 Ringing-up a special-sale item at the regular price is the only checker error which is always in *(the store's ... the customer's)* favor.

R-35
the store's

S-36 Although ringing-up a special-sale item at the ______________ price is always in the store's favor, it can result in the loss of customers for it is very hard to convince a customer that she was not intentionally overcharged on the item. The store's price-marking policy has a lot to do with the frequency of this type of error in ____________________ items.

R-36
regular
ringing-up

S-37 A major factor in the frequency of ringing-up a special at the regular price is the store's __________-____________ policy. As might be expected, studies show that *(more ... fewer)* errors are made when special-sale items are marked at the special price than when the regular price is left on the items.

R-37 price-marking fewer	S-38	Some stores do not price-mark special-sale items in an effort to cut down on ring-up errors. But the fewest errors occur when the special is marked at the *(regular ... special)* price. Store price-marking policies have other effects on a supermarket's profits; studies have shown that when a checker makes an error in ringing-up items which are not price-marked or have illegible prices, she usually errs in favor of the customer.
R-38 special	S-39	Checkers' errors in ringing-up items which are not price-marked or have ________________ price-markings usually favor *(the store ... the customer)*.
R-39 illegible the customer	S-40	It has been found that checkers usually err in favor of the customer when an item is ______ ______________________ or has an ________________ price-marking, because they often guess the item's price instead of consulting their price lists. Another type of checker error which usually favors the customer is the multiple-price error.
R-40 not price-marked illegible	S-41	A common checker error is ringing-up one unit of an item priced at 2/39¢ as 13¢ or 14¢ instead of 15¢. A ______________-__________ error such as this usually favors the customer.
R-41 multiple-price	S-42	Although checkers often have charts at their registers with the unit prices of multiple-priced items already computed for them, they may not look at them when a customer purchases less than the full multiple of an item. These multiple-price errors usually favor *(the store ... the customer*

R-42 **the customer**	S-43	Checkers usually have charts with unit prices already computed, but they still can make ________________-__________ errors if they don't consult the charts. (In a recent store test, this type of error accounted for 25% of all ring-up errors made!)
R-43 **multiple-price**	S-44	Another type of ring-up error is the departmental error wherein an item is rung up at the correct price, but on the wrong department's key. Ringing-up a Produce Department item on the Grocery Department key is an example of a _________________________ error.
R-44 **departmental**	S-45	A departmental error doesn't result in a loss of money for either the customer or the store, but it does create an error in the store's bookkeeping. In a departmental error, an item is rung-up at the *(correct ... wrong)* price on the *(correct ... wrong)* department's key.
R-45 **correct** **wrong**	S-46	One type of ring-up error that doesn't lose money for either the store or the customer is a _________________________ error. However, it distorts the sales and gross profit of two departments in the store's bookkeeping.
R-46 **departmental**	S-47	A departmental error is one in which an item is rung-up at the correct __________ but on the wrong ______. This type of ring-up error creates a problem for the customer when she tries to check over her receipt. It also inflates the __________ and the __________ ____________ of one department in a supermarket's bookkeeping, making another department suffer in the process.

R-47
price
key
sales (and)
gross profit

S-48 Ring-up errors include:

- ringing-up a special-sale item at the ____________ price;
- "guessing" at the prices of items which are not price-marked or have ______________ price-markings;
- incorrectly computing the unit price on ____________-__________ items; and
- ringing-up an item at the right price but on the wrong key, known as ______________ errors.

But the most serious error, as far as store profits are concerned, is failing to ring-up an item at all.

R-48
regular
illegible
multiple-price
departmental

S-49 Although it occurs less frequently than the other ring-up errors, studies have shown that items not rung-up account for over half of the total loss due to ________-____ errors.

R-49
ring-up

S-50 Over half the total loss due to ring-up errors in a supermarket is a result of

____

(WHAT?).

R-50
failure to ring-up an item

S-51 When a checker fails to ring-up an item, the result is a total loss for the supermarket. The loss on items not rung-up accounts for what portion of a store's total loss due to ring-up errors?

☐ over one-half
☐ over one-third
☐ over three-fourths

R-51 over one-half	S-52	The way in which a checker handles ________-____ errors she's made can be important to the supermarket's public relations. The procedure that the checker follows in correcting an error which she's "caught" should be explained to the customer to gain her confidence.
R-52 ring-up	S-53	All customers want to be sure they're getting a fair and accurate count of their purchases. In order to dispel the natural suspicion that arises whenever a checker catches an error she's made in ringing-up a customer's purchase, the checker should ______________ to the customer the procedure she used for correcting the error. Then she should enter the error on her over-ring card, if the error was noticed after the order was totaled.
R-53 explain	S-54	Whenever a checker catches herself making a ring-up error, she should explain to the customer the procedure she used to correct the error. If the error wasn't caught until after the order was totaled, she should also enter the error on her ________-________ card.
R-54 over-ring	S-55	Any ring-up error that is caught after an order is totaled should be entered on the checker's ________-________ ________ which is used in balancing the register at the end of the day.
R-55 over-ring card	S-56	Besides the register tape, the entries on the ________-________ __________ are used in balancing the cash in each register at the end of the day. The register tape provides a record of each cash transaction handled during the day.

R-56
over-ring cards

HANDLING THE CASH TRANSACTION

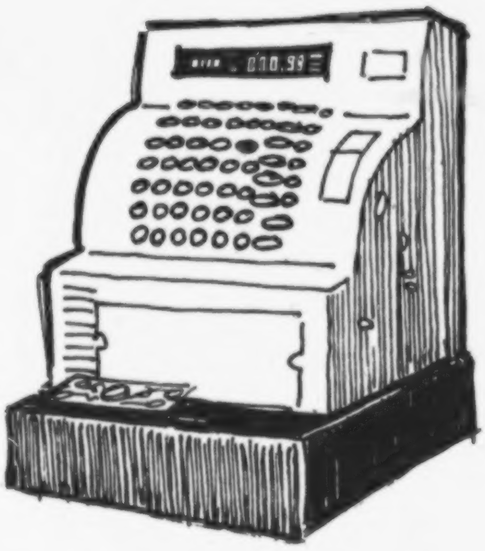
S-57 When she has finished ringing-up a customer's purchases, the checker handles the cash transaction (unless the supermarket is using a three-man team consisting of a checker, bagger, and ______________). The checker should first call out the total amount of the order to the customer.

R-57
cashier

S-58 After totaling a customer's purchase, the checker should say something like "That will be $12.08, Mrs. Hunter." In other words, she should call out the __________ ____________ of the order.

R-58
total amount

S-59 The first step in handling the cash transaction is to ____ (WHAT?). The checker should then place the money given to her by the customer on the coin slab or money bar of the cash register.



R-59
call out the total amount of the order

S-60 So there will be no confusion on the part of either the customer or the checker, the customer's money should be placed on the coin slab or __________ ______ of the cash register before the checker opens the cash drawer to make change.

R-60 money bar	S-61	In carrying out the cash transaction, the checker calls out the ________ __________ of the purchase, then accepts the money from the customer and places it on the _______ ________ or money bar of the cash register. She can then open the cash drawer to _______ __________.
R-61 total amount coin slab make change	S-62	The checker places the customer's money in the cash drawer of the register only after she has finished making change. When she first receives the money from the customer, she should place it on the _______ _______ or _________ _____ of the cash register.
R-62 coin slab (or) money bar	S-63	The customer's money should be placed in the cash drawer *(before ... after)* the checker makes change. In making change, the checker should count the change aloud as she gives it to the customer.
R-63 after	S-64	Whenever a customer gives the checker more money than the amount of the purchase, the checker must make change and should ________ _____ __________ ________ as she gives it to the customer.
R-64 count the change aloud	S-65	To prevent confusion and minimize the possibility of error, the checker should always count the customer's change ________ as she gives it to the customer, and put the customer's money in the cash drawer *(before ... after)* she has finished making change. If the customer has any coupons or bottle deposit slips to redeem, the checker may reimburse the customer for these now or at the time she accepts the money from the customer.

R-65 aloud after	S-66	Coupons and ____________ ______________ slips serve as cash and should be considered as such when the checker balances the register at the end of the day. These may be handled by the checker either at the end of the cash transaction or earlier, at the time the customer gives her the money for the order.
R-66 bottle deposit	S-67	Along with the amount of cash in the register at the end of the day, ______________ and ____________ ______________ __________ are a part of balancing the register.
R-67 coupons (and) bottle deposit slips	S-68	When it comes to the daily bookkeeping of the supermarket, each register's account is very important. Coupons and bottle deposit slips serve as ________ and are considered as such when the checker's register is balanced at the end of the day.
R-68 cash	S-69	In some stores, checkers are instructed to reimburse customers for any ______________ or ____________ ______________ slips before accepting the money for the customer's purchase. In other stores, checkers are advised to do this after accepting the customer's money and making change. In either case, the checker should close the cash drawer after completing the cash transaction and give the trading stamps to the customer.
R-69 coupons (and) bottle deposit	S-70	At the end of the cash transaction, the checker should __________ the cash drawer. Then, in stores which use them, she gives the ___________ ____________ to the customer.

R-70 close trading stamps	S-71	If the store gives them, ____________ ____________ are handed to the customer after the cash transaction has been completed.
R-71 trading stamps	S-72	The final step in checking-out a customer is to give ____________ ____________ to the customer if the store uses them. However, the operation is not really complete until the checker lets the customer know her patronage is appreciated.
R-72 trading stamps	S-73	A polite "Thank you" or a cheerful "Come back again" on the part of the checker as she finishes checking-out a customer lets the customer know that her ______________ is appreciated.
R-73 patronage	S-74	As we saw in Unit #5, the desire for recognition is basic to every individual. Checkers have an excellent opportunity to provide this recognition and help make shopping a pleasant experience by letting each customer know that her patronage is ________________.
R-74 appreciated	S-75	A checker at the check-out counter can satisfy the basic human need for ______________ and, in the process, build customer satisfaction by letting each customer know that her ______________ is ______________ after handling the cash transaction.
R-75 recognition patronage (is) appreciated	S-76	Even though she may be tired from a long, hard day's work, the checker should attempt to let each customer know ______________________ (WHAT?). The difficulty in being pleasant and friendly to customers when tired high-lights one of the major problems of the check-out operation: checker fatigue.

MAJOR PROBLEMS OF THE CHECK-OUT OPERATION

R-76 **that her patronage is appreciated**	S-77	Being a checker in a busy supermarket is hard, back-breaking work. During the course of a day, a checker handles several TONS of merchandise that is checked-out through her checkstand -- and, if she also bags customers' purchases herself, she handles all the merchandise TWICE. Obviously, checker fatigue can be a major ______________ in the check-out operation.
R-77 **problem**		1. Checker Fatigue
	S-78	Earlier, we saw how important the checkers are in creating a favorable store image -- a task rendered more difficult if checkers are tired. Thus, we can see how the store image can be adversed affected due to ______________ ______________.
R-78 **checker fatigue**	S-79	To promote a favorable ______________ ______________, checkers must be friendly and pleasant to each customer.
R-79 **store image**	S-80	A store's image can be adversely affected if checkers are irritable and short-tempered because of fatigue (or being tired). Similarly, a store's profits can be adversely affected if checkers make frequent errors because of ______________.
R-80 **fatigue**	S-81	Studies indicate that most ring-up errors and most change-making errors are due to checker fatigue. Obviously then, checker fatigue can reduce a store's ______________.

R-81 profits	S-82	According to recent studies, checker fatigue is the most common cause of ________-____ errors and ____________-____________ errors.
R-82 ring-up change-making	S-83	Good posture, comfortable shoes, adequate lighting and ventilation -- all are factors which can reduce checker fatigue and, in the process, eliminate most of the ________-____ ___________ and ____________-____________ ____________ that occur at the check-out counters.
R-83 ring-up errors (and) change-making errors	S-84	A major problem of the check-out operation (which can have a bad effect both on the store image and the store profits) is ______________ ______________. Another major problem of the check-out operation is cleanliness.
R-84 checker fatigue		2. Cleanliness
	S-85	Since the customer's last (and most lasting) impression of the store is received at the check-out, it is important for the check-out area (and the entire Front End, for that matter) to be kept clean. Considering the great amount of traffic through the check-outs, it's not surprising that ______________________ is a major problem.
R-85 cleanliness	S-86	The accumulation of litter can cause a problem of _______________________ at the check-outs.
R-86 cleanliness	S-87	Many customers leave their cash register tapes behind or drop them on the floor as they leave the store. Many too, while fumbling through purse or pocket, come across shopping lists or notes which they crumple up and toss on the floor. If allowed to accumulate, this ____________ can be a problem.

R-87 litter	S-88	Cleanliness at the check-outs can be a real problem because of the __________ that accumulates unless checkers and baggers attempt to "tidy up" around the checkstands whenever they have a free moment.
R-88 litter	S-89	The accumulation of litter is one reason why __________________ is a problem at the Front End. Another reason is breakage and spillage.
R-89 cleanliness	S-90	The customer must unload the shopping carts and place each item on the check-out counter. The checker must handle each item as she rings it up. The bagger (or the checker) must handle each item while bagging the customer's purchase. Finally, the customer must carry the bag out of the store or put it in the shopping cart and wheel it out. Thus, in every transaction, each item must be handled at least four times -- and every time an item is handled, there is a danger of __________ or ____________!
R-90 breakage (or) spillage	S-91	Two reasons why cleanliness at the check-outs is a major problem are: • __________. • ______________ and ______________.
R-91 litter breakage (and) spillage	S-92	We have now seen two of the major problems at the check-outs: • ____________ ____________. • ____________________. As we'll see in the next Section, another major problem is pilferage.
R-92 checker fatigue cleanliness		END OF SECTION II

III. PREVENTING PILFERAGE AT THE FRONT END

In addition to their many other responsibilities, the Front End personnel have to deal with the problem of pilferage. Impulse items (such as candy and gum, cigarettes, and magazines) are highly popular targets of shoplifters, and are therefore often placed near the front of the store where they can be observed by the checkers. Some other measures that can be taken at the Front End to discourage shoplifters are:

- Unused check-out lanes should be blocked off to force customers to leave the store through an open lane manned by a checker.

- Speeding up the check-out operation cuts down on shoplifting. Customers who are forced to wait a long time in line have an opportunity to conceal merchandise on their person. The shorter the wait, the less the opportunity.

- Signs reading "Shoplifting is a crime punishable by law" or copies of the state shoplifting law can be posted near the checkstands, in view of customers. Special curved mirrors can also be placed at key points in the store. It has been found that such devices act as psychological deterrents to shoplifters.

- Suppliers' driver/salesmen can be required to stop at the check-out counter on their way in and out of the store. This permits the Head Checker or another responsible checker to keep track of what the driver/salesmen bring into and take out of the store, and to examine the voucher or delivery ticket carefully. Few driver/salesmen are dishonest, but keeping track of their actions guards against honest mistakes and also removes temptation for those who might tend to be less than honest in their dealings with the store.

These precautions can discourage would-be shoplifters from attempting to make off with items without paying for them. During the check-out operation itself, checkers should watch for evidences of shoplifting, such as:

- Cap switching. Switching the cap from a lower-priced item to a higher-priced one often passes without question. Checkers should be alert to obvious differences in price and value.

- Transferring merchandise. High-priced merchandise may be placed in low-priced cartons. Placing butter in a margarine carton or sausage and meat in a lard container are examples of this shoplifting trick. Checkers should be alert for items which weigh more or less than they ought to.

- Adding merchandise to packages. A phonograph record jacket can hold an additional record, nylons, greeting cards, or other flat items. Large magazines can also hold small records, nylons, and other flat items. Checkers should spread record jackets unobtrusively and glance inside for concealed objects, and pick magazines up by the binding so that any merchandise concealed within will slip out.

- Hiding items in paper towels and bathroom tissue. The core of a roll of paper towels or bathroom tissue can hold a rolled-up magazine, toothpaste, spices, olives, or other small thin items. Both ends of the tubes should be checked to see if they are slit or otherwise tampered with. A checker can do this unobtrusively by sticking her finger into the center hole as she picks up the roll of tissue or toweling.

- Hurrying the checker. A shopper who "hurries" the checker along may be trying to push items past without being rung up. The checker should resist all attempts to rush her by politely but firmly telling the customer that the order is being checked-out as fast as possible.

- Diverting the checker. A customer may "forget" an item such as cigarettes or razor blades and, while the checker's back is turned, push an item past her or take the money off the money bar and slip it into purse or pocket. The checker should first complete the major transaction and then ring up the "forgotten" item as a separate transaction.

These are just a few of the many tricks that some shoppers use to cheat the store. The problem for the checker is, as we saw in Unit #4, that shoplifters don't fall into any neat pattern -- they may be young or old, rich or poor, male or female. In fact, there have been cases where a person who was regarded as one of the store's best customers was caught shoplifting!

The checker must be constantly alert to the possibility of shoplifting. She must also know what to do in the event she suspects a customer of shoplifting. Most stores have a policy that only the Store Manager or the Front End Manager should ever confront or attempt to apprehend a shoplifter. The reason is that a clever shoplifter can turn the tables on the store and sue for false arrest.

The efforts of the Front End personnel in controlling pilferage are important, when you consider that the pilferage of a 69¢ item wipes out the average net profit on $50.00 in sales!

IV. BAGGING AND CARRY-OUT

The final step in a customer's shopping trip is the bagging and carry-out operation. Thus, bagging and carry-out provide the store with its final opportunity to be of service to each customer and to create a favorable store image in the customer's mind!

BAGGING CUSTOMERS' PURCHASES

As we saw earlier, the efforts of store employees to provide customer-centered service should extend from the moment the customer enters the store till she leaves with her purchase. However, the supermarket's responsibility to each customer continues until she gets her purchases home. And, the customer's impression of the store is subject to variation until she has unpacked her purchase at home and made sure she has no leaking bottles or squeezed hamburger buns in her shopping bags.

Proper bagging is very important. If a bagger doesn't bag a customer's order properly -- or if a bag rips and spills a customer's groceries in the parking lot or on the street -- that person may be lost as a customer for the supermarket despite all the effort other store employees have put into pleasing her. Nothing infuriates a customer more than careless packing that makes bags hard to carry and prone to tear!

Actually, correct bagging involves only a few logical rules. Think of packing a bag as erecting a building: begin with a solid fundation and build the package up, layer by layer. Having the greatest weight at the bottom keeps a bag from being top-heavy and makes it easier to carry. Also, the lightest items -- such as bread, potato chips, and other crushable items -- are put near the top where they can't be damaged easily. (SEE DIAGRAM A)

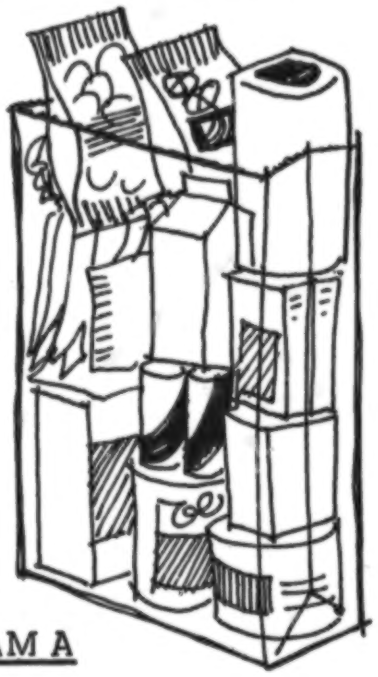


DIAGRAM A

Packing a bag as though it were a building is only one factor in proper bagging. There are other factors as well in an efficient bagging operation:

1. Selecting the proper size and weight of bag.

As we saw in Self-Study Unit #4, significant economies in supplies can be achieved when store employees are careful not to use bags that are too large for the size of the item to be bagged. After all, the cost of a 20-lb. bag is about equal to the net profit on a 50¢ sale. Each time a bagger avoids double-bagging an order that doesn't really require it, then, he produces as much net profit as an additional 50¢ purchase.

Using a bag that is too small for an order can create problems for the shopper. Smaller bags are made for lighter-weight items, so they tear more easily when they are overloaded. Also, when too small a bag is used, there is a tendency for the bagger to pack the top tightly in trying to squeeze all the items in. This makes the bag top-heavy and hard to carry, as well as increasing the possibility of damaging purchases by crushing.

2. Protecting the bag from items which could tear or weaken it.

Paper bags should be kept dry. Even the largest and strongest bag doesn't have sufficient wet-strength to keep wet items from breaking through. Putting meat and wet vegetables in another bag or wrapping them in paper to prevent leakage is a good safety measure.

Frozen items, too, come under this rule. Not only does an insulated bag preserve their quality, but it also keeps them from leaking if they begin to defrost. Milk cartons can be placed on top of canned goods so they don't dampen the bag.

3. Protecting the flavor of the foods.

Items like meat and butter quickly pick up strong odors from soaps or onions. Wrapping them separately protects them. Strong cheeses should also be wrapped separately to keep their odor from spreading.

4. Avoiding spills and leakage.

The cover on a carton of potato salad from the Delicatessen Department or the lid on liver packaged in a plastic carton may not always be pressed down firmly. A quick check of special items like these will more than repay itself in good customer relations. Checking the lids of such strong-smelling items as ammonia to make sure they are screwed on tightly is another much-appreciated customer service.

5. Distributing weight evenly.

When more than one bag is used, the weight should be distributed evenly among the bags. For example, if a customer has bought quite a lot of canned goods, all the cans shouldn't be put in one bag. Distributing the weight not only makes the bags easier to carry but it also makes them easier to pack, as the crushable items are not all left for one bag.

CARRY-OUT

Many stores provide some assistance to the customer in getting her purchases from the check-out counter to her car. Whether this service be in the form of carry-out-boys, a parcel pick-up station, or allowing the customer to wheel out her purchases in a shopping cart, a friendly and efficient operation provides the customer with a good last impression of the store.

In supermarkets which provide carry-out, this service is usually performed by baggers (or perhaps special carry-out buys during peak times) and is generally a non-tipping, courtesy service. Stores providing this service hope to strengthen their good store image through courteous and efficient handling of a customer's packages.

Some supermarkets, especially in large shopping centers, have parcel pick-up stations. A customer either wheels her purchases to the station or it is put on a conveyor belt. Then she drives up in her car and the attendant loads it. This service, while almost necessary in large-scale operations, is expensive to operate because it must be manned during the entire time the store is open -- fluctuations in traffic make efficient operation extremely difficult. However, the parcel pick-up service provides another opportunity for the store to reinforce the good image built through the combined efforts of all the employees and to create a good last impression in the customer's mind.

Many supermarkets prefer to have customers wheel their orders out themselves, with perhaps the assistance of a store clerk for those who need help in loading their cars. Customer carry-out is the least expensive system. It has the further advantage of saving the customers from waiting until a carry-out boy is available or waiting in a line of cars to get to the pick-up station. Regular roundups of the carts which may be scattered throughout the parking lot are necessary, to avoid a shortage of carts in the supermarket, to create a good impression of the orderliness of the supermarket's operation, and to reduce the possibility of theft or damage to the carts.

SELF-QUIZ

Self-Study Unit #12

This Self-Quiz is not intended as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (TRUE or FALSE) The Front End is one of the biggest profit-making departments in a supermarket. (I-1) __________

2. (TRUE or FALSE) The Grocery Department is more important than the Front End in terms of public relations because it occupies more space.(I-1) __________

3. (CIRCLE THE CORRECT ANSWER) Normally, the checkstands in a supermarket are located (along the front of the store ... at the front and rear exits).(I-2)

4. (TRUE or FALSE) Checker-unloading of shopping carts decreases the opportunity for customer pilferage and breakage at the Front End. (I-3) __________

5. (TRUE or FALSE) Express check-out lanes help in balancing the work load at the remaining checkstands. (I-7) __________

6. (CIRCLE THE CORRECT ANSWER) In many supermarkets, the volume of customers' checks cashed is (half as much as ... the same as ... two or three times) the store's sales volume. (I-8)

7. List several types of checks with which special precautions should be taken.(I-8)

   - ______________________
   - ______________________
   - ______________________
   - ______________________

8. The average number of customer transactions completed at each check-out counter in a week is about ________. (II-2, S-9)

9. (CIRCLE THE CORRECT ANSWER) An average check-out counter handles about ($3,000 ... $7,000 ... $10,000) in sales per week. (II-3, S-14)

10. An average of about 72 customers an hour pass through a check-out counter manned by: (II-4, S-19)

    ☐ A checker working alone
    ☐ A checker-bagger-cashier team
    ☐ A checker and bagger working together

11. (TRUE or FALSE) Effective scheduling of Front End personnel depends mainly on the traffic at the check-outs and the average order size. (II-5, S-25) __________

12. Which of these ring-up errors is always in the store's favor: (II-7, S-34)

☐ departmental error
☐ multiple-price error
☐ ringing up a special at the regular price

13. (TRUE or FALSE) In ringing-up items which are not price-marked or have illegible prices, checkers usually err in favor of the store.(II-8, S-38) __________

14. (TRUE or FALSE) Checkers rarely err in computing and ringing-up one unit of an item priced at 2 for 39¢ or 3 for 49¢. (II-9, S-43) __________

15. (TRUE or FALSE) A departmental error is one in which an item is rung up at the correct price but on the wrong key. (II-9, S-44) __________

16. Studies show that items not rung up account for over (one-third ... one-half ... three-fourths) of the loss due to ring-up errors. (II-10, S-49)

17. (TRUE or FALSE) In handling the cash transaction, checkers should count the customer's change aloud. (II-13, S-63) __________

18. (TRUE or FALSE) Coupons and bottle deposit slips serve as cash in balancing the register at the end of a day. (II-14, S-66) __________

19. The major cause of ring-up errors is (carelessness ... checker fatigue).(II-16,S-81)

20. The accumulation of __________ is one reason why cleanliness is a problem at the Front End. Another is __________ and __________. (II-18, S-89)

21. Speeding up the check-out operation (can ... cannot) reduce shoplifting.(III-1)

22. (TRUE or FALSE) A customer's impression of the store is subject to variation until she gets her bags of groceries home. (IV-1) __________

23. Each time a bagger avoids double-bagging an order that doesn't require it, he produces as much net profit as an additional (10¢ ... 25¢ ... 50¢) in sales.(IV-2)

24. (TRUE or FALSE) High-quality bags have sufficient wet-strength to keep wet items from breaking through. (IV-2) __________

25. Which carry-out method is least expensive to operate: (IV-3)

☐ carry-out boys
☐ customer carry-out
☐ parcel pick-up station

only copy

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Self-Study Unit 13

SELF-STUDY PROGRAM
IN RETAIL FOOD STORE OPERATIONS

Other Departments in the Supermarket

PRODUCED BY
THE Quaker OATS COMPANY

ABOUT THESE SELF-STUDY UNITS . . .

This is one of a series of thirteen Self-Study Units covering the major aspects of retail food store operations:

Unit #1 -- "The Grocery Industry ... Past, Present, and Future"

Unit #2 -- "From the Producer to the Consumer"

Unit #3 -- "The Supermarket Today"

Unit #4 -- "Profit and the Supermarket"

Unit #5 -- "The Supermarket Customer"

Unit #6 -- "The Grocery Department"

Unit #7 -- "The Meat Department"

Unit #8 -- "The Produce Department"

Unit #9 -- "The Dairy Department

Unit #10 -- "The Frozen Foods Department"

Unit #11 -- "The Bakery Department"

Unit #12 -- "The Front End"

Unit #13 -- "Other Departments in the Supermarket"

"PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL HAS BEEN GRANTED BY The Quaker Oats Company

TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE U.S. OFFICE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER."

Copyright, 1965, The Quaker Oats Company

All rights reserved. No part of this book may be reproduced in any form without permission in writing from the Quaker Oats Company, Chicago, Illinois.

INTRODUCTION TO SELF-STUDY UNIT #13

Thus far our attention has been focused on the six major departments in the typical supermarket. Until a few years ago, competition between supermarkets was mainly confined to these departments. The idea of "one-stop shopping" has led to the addition of new departments (such as: the On-Premise Bakery; the Delicatessen; the Beer, Wine, and Liquor Department; and the Pharmacy) and to the addition of non-food categories (such as: Health and Beauty Aids; Housewares; Soft Goods; Magazines; Stationery; and Toys).

In this Unit, we will focus on these "other" departments and how they contribute to the functioning of the typical supermarket. Specifically, in this Unit, we will study:

Section I. "OTHER" DEPARTMENTS AND THE ONE-STOP-SHOPPING CONCEPT

- A. The Delicatessen Department
- B. Non-Foods or General Merchandise

Section II. THE DELICATESSEN DEPARTMENT IN THE MODERN SUPERMARKET

- A. Sales and Profitability of the Delicatessen Department
- B. Operations of the Delicatessen Department
- C. Major Problems in the Delicatessen Department

Section III. NON-FOODS IN THE MODERN SUPERMARKET

- A. Sales and Profitability of Non-Foods
- B. Sources of Supply for Non-Foods
- C. Major Problems of Non-Foods

Section IV. THE BEER, WINE, AND LIQUOR DEPARTMENT

- A. Sales and Profitability of Beer, Wine, and Liquor
- B. Operations of the Beer, Wine, and Liquor Department
- C. Major Problems in the Beer, Wine, and Liquor Department

Section V. THE PHARMACY

I. "OTHER" DEPARTMENTS AND THE ONE-STOP-SHOPPING CONCEPT

In our study of the history of food retailing back in Unit #1, we saw that the concept of one-stop shopping was popular in the old General Store of the 19th century and was an exciting feature in the early supermarkets of the 1930's. In recent years, the idea of "all household needs under one roof" has again captured the imagination of supermarket operators, as evidenced by the introduction of new product lines and even whole new departments in the supermarket. In fact:

> Today, a housewife shopping at her favorite supermarket can first drop off her husband's suit to be dry-cleaned, leave a pair of her shoes to be re-heeled, buy some underwear for her young son, select a birthday card for her aunt in Portland, choose a phonograph record for her teen-age daughter and her favorite magazine for herself, pause for a short mid-afternoon snack, have a prescription filled, pick up a bottle of wine and a hot-from-the-oven pie for the evening dinner, and do her grocery shopping ... all without leaving the store!

Although most stores do not offer quite so wide a range of products and services as this, the vast majority of supermarkets now contain at least one department or section that would have been unheard of in a supermarket a few short years ago. The primary purpose of adding new departments and categories to the supermarket is to provide maximum shopper convenience, with the intended result being increased customer loyalty, increased store traffic, increased sales, and increased profits.

In Unit #11, we studied at some length three of the most popular new additions to the supermarket -- the Fancy Baked Goods Section, the On-Premise Bakery, and the Bake-Off. In this Unit, we will examine two others in depth -- the Delicatessen and Non-Foods. Then, we'll take a look at the Pharmacy and the Beer, Wine, and Liquor Department.

THE DELICATESSEN DEPARTMENT

A supermarket containing a Delicatessen Department has a definite competitive advantage over other stores without such a department because of the considerable shopper interest and patronage which the department generates. Imagination in selecting the items offered for sale and in determining what services should be offered ultimately affects the profitability of this department and its contribution to the overall store image.

Although some supermarkets operate a Delicatessen Department on a self-service basis, the department is, in the vast majority of cases, a clerk-service department. Items may be delivered to the store already prepared and ready for sale, or they may be prepared on the premises. Most items are displayed in the department's display cases in bulk form. (SEE DIAGRAM A) They are then sliced or measured and weighed for the individual customer in the quantity desired.

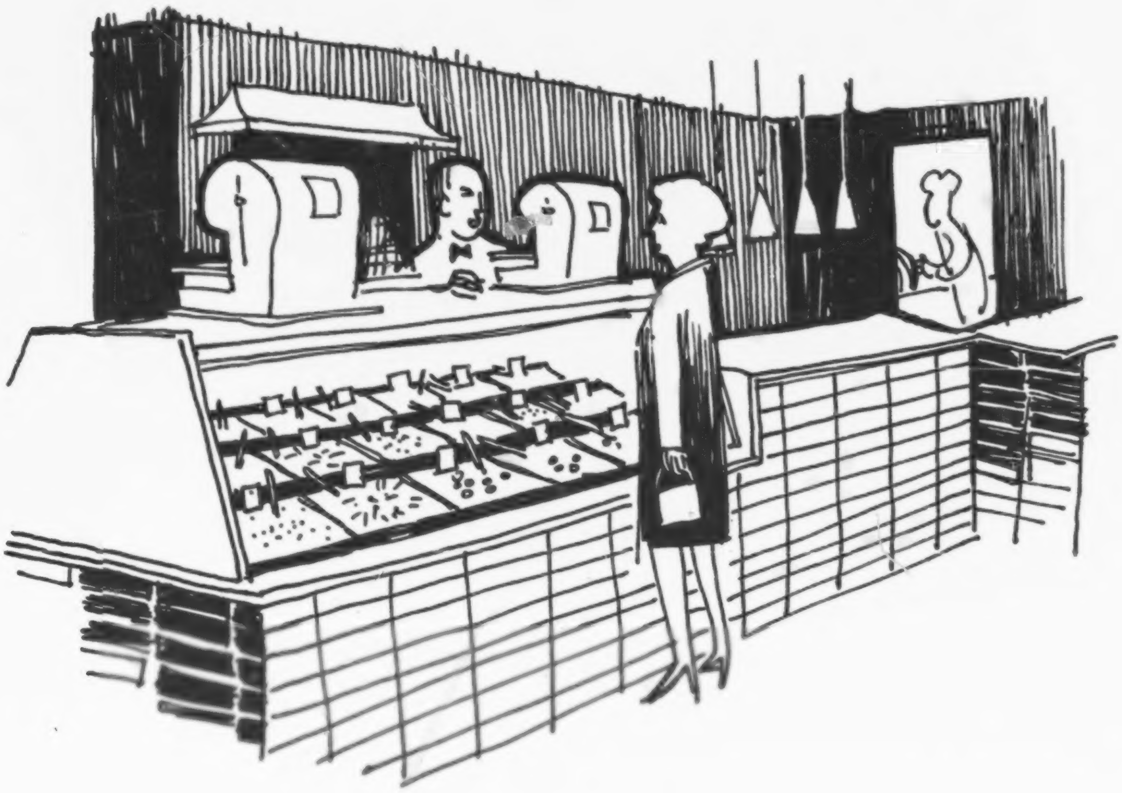


DIAGRAM A

The main appeal of the Delicatessen Department is the convenience and variety of the products stocked and sold in the department -- most of them ready-to-eat items. The major categories of products available in the department include:

- Salads -- vegetable salads; fruit salads; hot and refrigerated potato salads; gelatin salads; kidney bean salads; etc.
- Vegetables -- sauerkraut; pickled beets; stewed tomatoes; etc.
- Hot dishes -- broasted or barbecued chickens; barbecued ribs; corned beef; pizza; pastrami; etc.
- Sausages -- sliced and whole sausages, such as salami; frankfurters; pepperoni; thuringer; etc.
- Cold Sandwich items -- baked and boiled ham; pepper loaf; bologna; minced ham; egg salad; tuna salad; ham salad; etc.
- Relishes -- herring; pickles; chopped chicken livers; etc.

For the most part, the various items stocked in the Delicatessen Department are grouped by type in and on the display cases. Hot items are usually kept in a warming oven within view of customers until sold. Many store operators find it best to vary the items offered in the Delicatessen Department from week-to-week to provide greater variety and interest for shoppers.

A key factor in the success of the Delicatessen Department in the supermarket is the make-up of the population in the store's trading area. An ideal population for a supermarket with a Delicatessen Department would consist of one or more of the following groups: middle- to high-income families; professional people or "working wives" who have little time for preparing meals; or ethnic groups (such as people of Italian, Jewish or German background) who would be delighted to find their favorite dishes already prepared or prepared on request in the Delicatessen Department.

The Delicatessen Department -- or Service Deli as it is sometimes called -- is usually an attractive department with eye-appealing merchandise that gives off captivating aromas. Besides attracting shoppers to the department, the aromas of the Delicatessen serve to stimulate shoppers' appetites for food in general and therefore tend to increase sales of all departments.

NON-FOODS OR GENERAL MERCHANDISE

Non-food items in the supermarket have become big business in recent years, currently accounting for about 5% of a store's total dollar sales and about 8% of the total gross profit dollars. The six major categories of non-foods stocked in the typical supermarket are:

- Health and Beauty Aids
- Housewares
- Soft Goods
- Magazines
- Stationery
- Toys

1. Health and Beauty Aids

Not too long ago, Health and Beauty Aids were sold exclusively in drug stores; that is, until supermarket operators realized that these items were excellent for providing shopper convenience and patronage at an above-average margin of profit. Today, virtually all supermarkets stock and sell Health and Beauty Aids.

In 1950, sales of Health and Beauty Aids in grocery stores were practically non-existent. Now, dollar sales of Health and Beauty Aids in the retail food stores of America amount to almost $2 billion, or about half of the total non-food sales. The rise continues today, but at a slower rate.

The customer-attracting quality of Health and Beauty Aids and the high % of gross margin on these items has brought on new competition -- the discounter. In a short period of time, discounters have done a fantastic business in Health and Beauty Aids. Their technique is to reduce prices and to mass merchandise H&BA items as "leaders", drawing customers into their stores to purchase more profitable soft goods and hard goods. The lure has worked and now sales of Health and Beauty Aids are split between grocery, drug, and discount stores.

The typical supermarket stocks up to a thousand Health and Beauty Aids items -- different sizes, brands, and types of products. However, because of their relatively small size, the items can generally be shelved in a compact section within the store. (SEE DIAGRAM B)

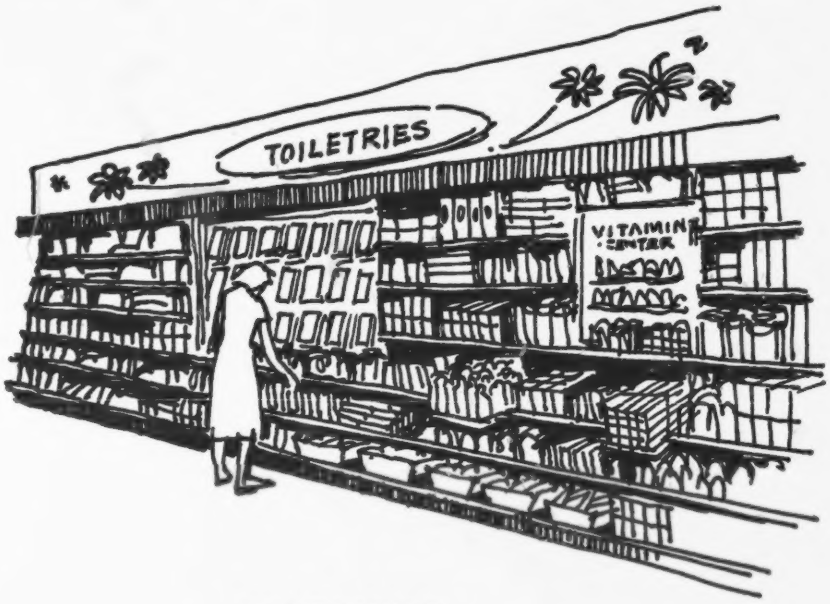


DIAGRAM B

In many supermarkets, the Health and Beauty Aids section is often serviced by a Toiletry Merchandiser. Larger central buying organizations (Chains, Voluntaries, and Co-operatives) often warehouse their own Health and Beauty Aids, shipping them to the individual stores as store personnel order them. In this instance, store personnel assume responsibility for ordering, receiving, and stocking Health and Beauty Aids, but usually work from a shelf-plan provided by the headquarters' H&BA buyer or merchandiser.

Typical categories of items in the Health and Beauty Aids Section are:

- Baby Needs
- Cosmetics
- Creams and Lotions
- First Aid
- Hair Care
- Oral Hygiene Needs
- Medications
- Shaving Needs

2. Housewares

Store surveys indicate that purchases of Housewares in the supermarket are for the most part impulse purchases, since the average shopper is more likely to make planned Housewares purchases in variety or hardware stores. This does not reduce the importance of a Housewares section in the supermarket -- besides being a profitable section, shoppers appreciate the convenience offered by the store that stocks a line of Houseware items.

The impulse factor and the fact that Housewares are easy to relate to food items provide a store the opportunity for numerous tie-in promotions with items in other departments. In fact, practically any special display of a food item could be improved by the addition of a Housewares item; a good example is displaying Drinking Glasses with an Iced Tea promotion or Perculators with a Coffee promotion. In addition, shelf extenders can be effectively used for tie-ins of small Housewares items with food items in their normal shelf locations.

Because of the impulse nature of Housewares, the Housewares section is usually located in a high-traffic location in the store. A favorite location for the section is adjacent to or across from the Soaps and Detergents Section of the Grocery Department. (SEE DIAGRAM C)

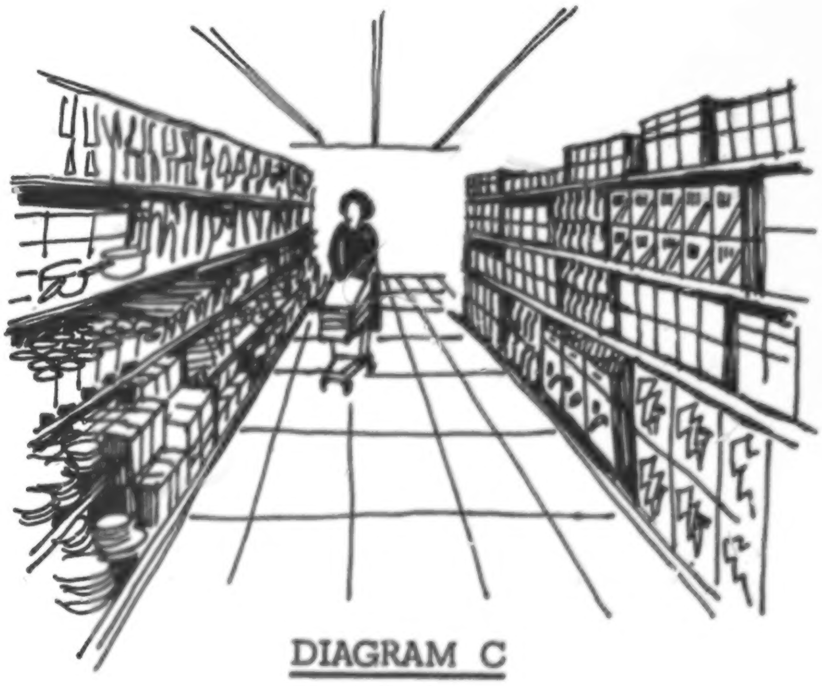


DIAGRAM C

The typical supermarket stocks up to 400 Houseware items. Similar types of items are generally displayed together. The major product groups in the Housewares section in the order of their total dollar sales are:

- Glassware
- Plasticware
- Barbecue Equipment
- Cookingware
- Electric Appliances
- Furniture
- Garden Supplies
- Kitchen Gadgets
- Cutlery
- Lunchboxes
- Dyes
- Fixit Items
- Film
- Notions

3. Soft Goods

As was the case with Housewares, impulse sales are the key to success in the Soft Goods section of the supermarket. Therefore, Soft Goods should be:

- Properly packaged for easy visual recognition and inspection by customers without damaging or soiling the goods.
- Stable items without fashion "fad" or novelty aspects (unless the goods are an "in and out" type of promotion).
- Located in a good traffic area of the store.
- Laid out in an attractive and orderly manner, by logical size and color groups.

The use of perforated hardboard ("Peg-board") in the Soft Goods section permits a store to display and sell a large number of individual items in a small amount of space. (SEE DIAGRAM D)

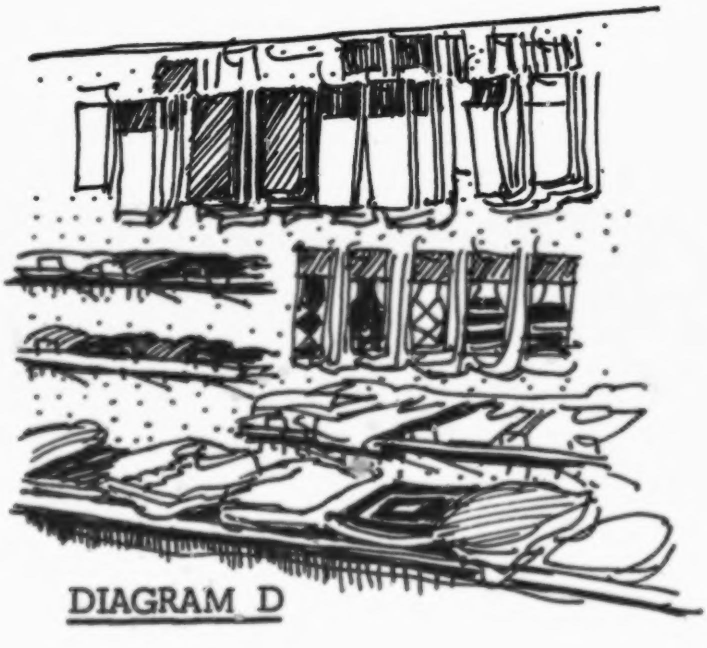


DIAGRAM D

Some items that would normally be found in the Soft Goods section of the typical supermarket are:

- Nylon Stockings
- Socks
- Brassieres
- Scarfs
- Shirts
- Underwear
- Dish Cloths
- Dish Towels
- Wash Cloths
- Bath Towels
- Tablecloths and Napkins

4. Magazines

Magazines are among the most popular non-food items in supermarkets. The sale of Magazines in supermarkets eliminates the need for shoppers to have to stop at the drug store where magazines are customarily sold and enhances the "one-stop shopping" image of the store.

If Magazines are stocked in a supermarket, they should be:

- Located in prime traffic areas.
- Arranged for easy visual identification.
- Selected for the population makeup of the surrounding market area.

The sale of Magazines in the supermarket opens the door to a wide variety of in-store merchandising activities which can create interest and excitement for shoppers, as well as stimulate sales for the store. Some examples of such merchandising activities are:

- Provide suggestions of new menu ideas by including a copy of a current magazine recipe in a special display of the key ingredient called for in the recipe.
- Stimulate shopper interest in products which are couponed in a magazine by placing small signs at the shelf location of the products informing shoppers to see the magazine for a coupon on the item.
- Tie-in with manufacturers' promotions such as sweepstakes and contests by building special displays of the items involved, together with copies of the magazines which contain entry blanks and contest information.

5. Stationery and School Supplies

These items, which are often shelved in a special section within the Housewares section of the supermarket, are high-margin items. During the school year, they are usually bought on impulse. However, at the beginning of the school year, parents plan or are reminded to pick up school supplies for their youngsters, so special displays of these items at this time usually produce a good volume of sales.

The sale of Stationery and School Supplies in supermarkets is another attempt to fill all shopper needs under one roof. The availability of these items -- as well as greeting cards -- saves a trip to the drug store, variety store or the stationery store.

6. Toys

Toys are stocked in most supermarkets during specific seasons, particularly at Christmas time. However, many supermarket operators have been successful in developing this category into a respectable contributor to store sales and profits on a year 'round basis.

While there is no fool-proof formula for successfully selling Toys in the supermarket, there are several factors that should be considered before adding this category:

- A careful study should be made of the amount and degree of competition selling Toys in the market area.
- There should be adequate space to distinguish Toys as a separate section in the store.
- The variety of Toys to be carried in this section should be based on the population mix of the market area surrounding the store.
- Care should be taken in choosing a reliable source of supply -- for variety, price, delivery, promotional assistance, etc.
- If a store or a central buying organization intends to buy direct from the manufacturer, a skillful buyer is a "must."

After the above factors have been considered, plans should be made for the big seasonal promotions and for periodic promotions that will fill in the gaps between seasonal promotions. The imagination and ingenuity that go into developing such promotions is the dividing line between successful and unsuccessful merchandisers of Toys.

INTRODUCTION TO SECTION II

The following material is presented in a format known as programed learning. In a programed course, the information is broken down into small "bits" (called frames) and presented in step-by-step fashion. As you systematically learn each new fact by seeing it re-stated and repeated in different contexts, in subsequent frames, you gradually master the total subject.

One of the great advantages of programed learning, as opposed to traditional textbooks, is that you actively participate in the learning process. That is, you immediately USE the information that you learn in one frame by writing in key words in the next one, or by selecting the correct word from a number of choices given, or by answering a true or false statement based on the previous frames. The fact that you can immediately check your response for each frame is assurance that you actually ARE learning as you proceed through the material.

A programed learning course is NOT a test, but a self-learning device. So, if you should have trouble with a particular frame, try not to look ahead ... and don't guess wildly. Instead, think a moment and, if necessary, re-read the previous frame or frames which contain the correct answer. In a programed course, you can work at your own pace -- no one will rush you along, and no one will score or grade your responses.

A final word before you begin -- programed courses teach, not test. If they remind you of tests you have taken -- because of the blanks to be filled in, and so on -- disregard this notion. Programed learning is used in this series of Self-Study Units for one primary reason: it is a proven teaching method that can rapidly and thoroughly provide you with the information you can use to gain a fuller satisfaction from your work and progress in your job in the retail food industry. We think you will enjoy this new learning experience.

II. THE DELICATESSEN DEPARTMENT IN THE MODERN SUPERMARKET

	S-1	The Delicatessen Department can take many forms: • It might be owned and operated by the store or be leased and operated by an outside firm • It might be self-service or, more commonly, __________ - service • It might stock items which are cooked and prepared in an on-premise kitchen, or items which are already prepared when delivered to the store, or both.
R-1 clerk-service	S-2	Studies indicate that most Delicatessen Departments are _________ - ______________ departments (rather than self-service) and that most are owned and operated by the _________ (rather than leased and operated by outside firms). Further, most Delicatessen Departments receive their goods already prepared for sale when delivered to the store.
R-2 clerk-service store	S-3	The Delicatessen Department (often called the Service Deli) is generally a clerk-service department which is owned and operated by the ________, selling goods that are already _________ before being delivered to the store.
R-3 store prepared	S-4	The Delicatessen Department (also called the _____________ _______) is gaining in popularity because it offers wholesome foods that require little or no preparation. Today about 1 out of every 4 supermarkets have such a department.
R-4 Service Deli	S-5	Delicatessen Departments are found in about 1 out of every ____ (HOW MANY?) supermarkets. The majority of these departments stock items prepared *(before ... after)* they are delivered to the store. (CIRCLE THE CORRECT WORD)

R-5
4
before

S-6 Although most supermarkets containing a Delicatessen Department (or ___________ _______) obtain the items they sell already-cooked, some operators feel that aromas from cooking delicatessen items in an on-premise kitchen attract and stimulate shoppers to increase overall food purchases. (About 1 Service Deli out of 7 has an on-premise kitchen.)

R-6
Service Deli

S-7 A fairly large number (about 15%) of the Delicatessen Departments in supermarkets today have on-premise ________________ where delicatessen items are prepared especially for that store's customers.

R-7
kitchens

S-8 Currently, about ____________________ (WHAT PORTION?) of the supermarkets in America contain a Delicatessen Department. The percentage of supermarkets with Delicatessen Departments continues to climb, indicating the increasing popularity of this department among supermarket operators -- partly because of the substantial sales and profits which such a department produces for the store.

R-8
1 out of every 4

SALES AND PROFITABILITY OF THE DELICATESSEN DEPARTMEN

S-9 In most cases, a supermarket's Delicatessen Department is usually *(owned ... leased)* and operated by the store, selling items which were prepared *(prior to ... after)* their delivery to the store. This type of department accounts for about 2% of the store's total dollar sales.

R-9
owned
prior to

S-10 The relatively *(high ... low)* dollar sales contributed by the Delicatessen Department (about ___% of total dollar sales) appears more favorable when expressed in terms of dollar sales per square foot. The weekly dollar sales per square foot in the Delicatessen Department are about $6.00.

R-10 low 2%	S-11	The Service Delicatessen ranks behind all of the six major departments in share of store sales (about ___% of total dollar sales), but ranks behind only the Meat Department and the Dairy Department in dollar sales per __________ ______ (about $6.00).
R-11 2% square foot	S-12	The rather low total dollar sales contribution by the Delicatessen Department and the rather high weekly dollar sales per square foot contribution would indicate that the department probably occupies a *(large ... small)* percentage of the store's total selling space. (CIRCLE THE CORRECT WORD)
R-12 small	S-13	The Delicatessen Department accounts for about ___% of total dollar sales in the typical supermarket but occupies a low percentage of the store's total ______________ ___________. A high % of margin also compensates for the low percentage of total dollar sales.
R-13 2% selling space	S-14	A gross margin of 45% is not uncommon in the Delicatessen Departments with on-premise kitchens. The gross margin is usually about 10 percentage points lower in Delicatessen Departments without such kitchens -- in other words, about _____%.
R-14 35%	S-15	The % of margin for a Delicatessen Department with an on-premise kitchen is as high as _____%, versus about _____% for a department without the kitchen. Either of these margins is far above the average % of margin of the store, partially compensating for the *(low ... high)* percentage of dollar sales contributed by this department.

R-15 45% 35% low	S-16	The high cost of labor and equipment, and the high space costs for a Delicatessen Department with an on-premise kitchen, prompts many operators to do without the kitchen, even though the gross margin of about _____% for this type of department is lower than the gross margin of around _____% in a Delicatessen Department with the on-premise kitchen.
R-16 35% 45%	S-17	In review: the Delicatessen Department in a supermarket is usually operated *(by the store ... by an outside firm)*, is usually a *(self-service ... clerk-service)* department, and usually stocks goods which have been prepared for sale *(before ... after)* they have been delivered to the store.
R-17 by the store clerk-service before	S-18	Further, the department accounts for about ___% of the store's total dollar sales, has a high weekly dollar sales per square foot, and has an extremely high margin of between _____% (if an on-premise kitchen is used) and _____% (if no on-premise kitchen is used).
R-18 2% 45% 35%	S-19	The profit potential of a successful Delicatessen Department can be seen from the following comparison. Every $1.00 in sales for the Grocery Department, with an average margin of 16% to 18%, means a gross profit of 16¢ to 18¢. However, every $1.00 in sales for the Delicatessen Department means a gross profit of about _____¢ or _____¢.
R-19 35¢ (or) 45¢	S-20	(TRUE or FALSE) Every dollar increase in sales for the Delicatessen Department will return roughly twice as much gross profit as a similar increase in Grocery Department sales. __________

R-20
True

S-21 Despite the high gross margin of _____% or _____% in the Delicatessen Department, a high gross _____ cannot be achieved unless total dollar sales are also high. High sales in this department will probably be generated by basing its operation on three principles: service, variety, and promotion.

R-21
35% (or) 45%
profit

OPERATIONS OF THE DELICATESSEN DEPARTMENT

S-22 Three principles essential to the successful operation of a Delicatessen Department are:

- _____________ such as catering, providing special request meals, and delivery service.
- _____________ such as fully-prepared meals, prepared items, and semi-prepared items of all kinds.
- ________________ such as sampling, advertising, "features of the week", and signs and in-store merchandising materials.

R-22
service
variety
promotion

S-23 Service is essential for a successful Delicatessen Department in a supermarket. A Delicatessen Department which offers catering for special functions, provides special prepared meals on request, and offers delivery of delicatessen orders is obviously eager to provide good ___________ for its customers.

R-23
service

S-24 Variety is another essential to success in the Delicatessen Department of a supermarket. A Delicatessen Department which offers fully-prepared items of all kinds obviously offers its customers the kind of ___________ necessary for success.

R-24 variety	S-25	Promotion is the third essential to success in the Delicatessen Department of a supermarket. A Delicatessen Department which regularly provides samples of some item, runs special "features" in the store's ads, and makes use of "talking" signs and other merchandising materials can be said to employ aggressive ______________.
R-25 promotion	S-26	The three key ingredients for success in the Delicatessen Department of a supermarket are ______________, ______________, and ______________.
R-26 service variety promotion	S-27	Suppose Mrs. Shopper phones or stops at the Delicatessen Department and requests six party trays for 24 club members, to include Shrimp, Swedish Meat Balls, specially-prepared Spare Ribs, Cheeses, Dips, and various other delicatessen items, to be delivered one week from the date of request. We can say that the store provides the ______________ of catering and delivering prepared delicatessen items for special events. And, we can see that the store offers a wide ______________ of delicatessen items.
R-27 service variety	S-28	Suppose the same supermarket advertises the fact that they cater special events such as private parties, club events, church group gatherings and P.T.A. meetings. Thus, the store fulfills the third principle of successful Delicatessen Department operation, namely, ______________.
R-28 promotion	S-29	To carry out the principles of ______________, ______________, and ______________ essential to a successful Delicatessen Department, the operation must be staffed by competent and qualified people. Locating and training qualified personnel is one of the major problems of the department.

MAJOR PROBLEMS IN THE DELICATESSEN DEPARTMENT

R-29 service variety promotion	S-30	A major problem common to most supermarket Delicatessen Departments is ________________ and ______________ qualified personnel to work in the department.
R-30 locating (and) training	S-31	1. Locating and Training Qualified Personnel Awareness of shoppers' needs, handling complaints, maintaining product quality, originating promotion ideas and developing new delicatessen items and services -- all require highly-qualified personnel. One major problem in a supermarket with a Delicatessen Department is ________________ and _______________ such personnel.
R-31 locating (and) training	S-32	Often it is necessary to hire an experienced outsider to head the Delicatessen Department operation. This person should be a cook (if the department has an on-premise kitchen) and should be capable of locating and training ________________ ________________ to assist in the operation of the department.
R-32 qualified personnel	S-33	Personnel to assist in the operation of the Delicatessen Department can probably be _______________ in other departments of the store. After they have been selected for assignment in the Delicatessen Department, they must be _______________ by the department head.
R-33 located trained	S-34	As the staff of the Delicatessen Department become skilled in their work as a result of their training by ________________________________ (WHO?), they will learn that maintaining product quality and appearance is a major problem in the department.

2. Maintaining Product Quality and Appearance

R-34 the department head	S-35	Maintaining product quality and appearance is a major problem in the Delicatessen Department. For one thing, the sales and profits of the department depend in great measure on the ____________ and ________________ of the products sold.
R-35 quality (and) appearance	S-36	Maintaining product quality and appearance in the Delicatessen Department is essential partly because of the effect on the ________ and _____________ of the department.
R-36 sales (and) profits	S-37	Many items in the Delicatessen Department are extremely perishable, thus making the matter of maintaining product _____________ and ___________________ even more important.
R-37 quality (and) appearance	S-38	Maintaining product quality and appearance in the Delicatessen Department is essential because many items are extremely ___________________.
R-38 perishable	S-39	Prepared foods such as those sold in the Delicatessen Department can spoil in a relatively short time unless they are properly prepared and kept until sold. To reduce the possibility of customers' buying and eating items which are spoiled, personnel in the department must be conscientious about maintaining product ________________ and ____________________.
R-39 quality (and) appearance	S-40	Personnel in the Delicatessen Department are responsible for maintaining product quality and appearance -- a critical responsibility in light of the extremely ________________ nature of many items sold and the possible consequences if customers should buy and eat items that have spoiled. To fulfill this responsibility, personnel must know how to prepare and keep each type of item

R-40
perishable

S-41 Personnel in the Delicatessen Department must know the proper ways to ______________ and ________ items in order to maintain product quality and appearance.

R-41
prepare (and)
keep

S-42 Most Delicatessen Departments sell a number of hot prepared foods such as broasted or barbecued chicken and spare-ribs. Properly preparing such items and keeping them warm without over-cooking them or drying them out is important in maintaining product ______________ and ___________________. Keeping refrigerated items looking fresh and appealing in the display cases is also important.

R-42
quality (and)
appearance

S-43 The typical Delicatessen Department sells a variety of items which require refrigeration -- vegetable salads, potato salads, gelatin salads, and so on. Keeping such items looking __________ and __________ ______ in the display cases is important in maintaining product quality and appearance.

R-43
fresh (and)
appealing

S-44 In order to maintain product quality and appearance, personnel in the Delicatessen Department must know how to _______________ and ________ items sold in the department. They must also know the shelf life and turnover rate of the items.

R-44
prepare (and)
keep

S-45 Delicatessen Departments usually stock several classes of items (for instance: prepared meals, ready-to-serve; semi-prepared items such as Meat Pies; and packaged items such as canned Gourmet Beans). Each class of items has a different ________ _______ and ______________ ______, making the job of maintaining product quality and appearance particularly difficult for personnel in the department.

R-45
shelf life (and)
turnover rate

S-46 An important aspect of the problem of maintaining product quality and appearance in the Delicatessen Department is the need for personnel in the department to know the ________ ________ and ______________ ______ of items stocked.

R-46
shelf life (and)
turnover rate

S-47 Two major problems in the Delicatessen Department of a typical supermarket are:

- ________________ and __________________ qualified personnel.
- Maintaining product ________________ and ______________________.

Another major problem in the department is the matter of cleanliness.

R-47
locating (and)
training
quality (and)
appearance

3. Cleanliness

S-48 In any business where food is sold, cleanliness is of critical importance -- particularly if the food is not wrapped. For one thing, people will not patronize a place which is not kept clean. For another, the possibility of contamination of food is greater in a place that is not clean. Thus, it can be seen that ______________________ can be a major problem in the Delicatessen Department.

R-48
cleanliness

S-49 Keeping the premises bright and clean at all times is one aspect of the problem of ___________________ in the Delicatessen Department.

R-49
cleanliness

S-50 Personnel working in the Delicatessen Department are responsible for keeping the premises __________ and _______ at all times. Among other things, this means:

- Washing down and disinfecting the display cases regularly.
- Keeping all equipment spotless at all times.
- Cleaning utensils (such as knives, cleavers, spoons, etc.) after each use.
- Immediately wiping up spills.

R-50
bright (and) clean

S-51 The responsibility for cleanliness for personnel working in the Service Delicatessen includes ______________ ______ _____________ ___________ and __________. It also includes being meticulous about personal cleanliness.

R-51
keeping the premises bright (and) clean

S-52 Anyone working with food (especially un-wrapped food) must be meticulous about _______________ ________________________. Among other things, this means:

- Keeping hands and finger-nails clean at all times.
- Making sure the work-uniform or apron is reasonably clean at all times.
- Wearing his or her hair in a neat style.

R-52
personal cleanliness

S-53 Many people refuse to patronize a business where food is sold unless it is clean. Similarly, many people refuse to patronize such a business unless the personnel are clean and neat looking. Thus, it can be seen that personnel working in the Delicatessen Department must be meticulous in the matter of _______________ ____________________.

R-53
personal
cleanliness

S-54 We have now seen three major problems in the Delicatessen Department. They were:

- Locating and training ____________________ ____________________.
- Maintaining ______________ ______________ and ____________________.
- ________________________.

R-54
qualified personnel
product quality (and) appearance
cleanliness

END OF SECTION II

III. NON-FOODS IN THE MODERN SUPERMARKET

S-1 Health and Beauty Aids, Housewares, Soft Goods, Magazines, Stationery and Toys are several categories of ______-________ items commonly found in a supermarket today.

R-1
non-food

S-2 Match the items in the column at the right with the proper categories of non-foods in the column at the left.

____ Health and Beauty Aids
____ Housewares
____ Soft Goods
____ Magazines
____ Stationery
____ Toys

a. model planes
b. toothpaste
c. envelopes
d. underwear
e. "Readers Digest"
f. pie-pans

R-2
b
f
d
e
c
a

S-3 Insert the non-foods category in the blank next to the items which would be found in that category.

- hair spray, lipstick, after-shave lotion ______________
- puzzles, balloons, minature auto's ______________
- Life, Look, Journal, Good Housekeeping ______________
- notebook paper, writing tablets, binders, paste ______________
- pans, glassware, utensils, cutlery, fix-it items ______________
- stockings, socks, dishcloths, towels ______________

SALES AND PROFITABILITY OF NON-FOODS

R-3
Health and Beauty
Aids
Toys
Magazines
Stationery
Housewares
Soft Goods

S-4 Non-foods in the typical supermarket contribute about 5% of total dollar sales. Health and Beauty Aids contribute over half this amount (or 3% of total store sales) with Housewares, ________ __________, Magazines, ____________________ and ________ contributing the remainder (or 2% of total store sales).

R-4
Soft Goods
Stationery
Toys

S-5 Items such as shampoos, shaving lather, toothbrushes, hair sprays, and first aid items are included in the ____________ and ____________ ________ category which contributes about ____% of the store's total dollar sales.

R-5
Health and
Beauty Aids
3%

S-6 The following non-food categories -- Housewares, Soft Goods, Magazines, Stationery, and Toys -- contribute about ____% of the store's total dollar sales.

R-6
2%

S-7 Health and Beauty Aids account for about 3% of total dollar sales and Housewares, Soft Goods, Magazines, Toys, and Stationery account for about ____% of total dollar sales in a typical supermarket.

R-7
2%

S-8 Together, non-foods contribute about ____% of total dollar sales for the store. They also contribute about 8% of total gross profit dollars (or dollar margin) -- 5% from Health and Beauty Aids and 3% from all the other non-food categories.

R-8
5%

S-9 The Health and Beauty Aids category in a typical supermarket contributes about ____% of total dollar sales and about ____% of total gross profit dollars. All other non-food categories combined contribute about ____% of total dollar sales and ____% of total gross profit dollars.

R-9 3% ... 5% 2% ... 3%	S-10	The various categories of non-foods together contribute about ____% of total store sales and account for about ____% of total store gross profit dollars.
R-10 5% (sales)	S-11	Non-foods contribute a higher percent of total gross profit dollars than percent of total dollar sales, which indicates that they have a relatively *(high ... low)* % of gross margin. (CIRCLE THE CORRECT WORD)
R-11 high	S-12	The *(higher-than-average ... lower-than-average)* % of gross margin for non-foods as a whole account for the fact that they contribute a higher percent of total ____________ ____________ than of total ____________ ____________.
R-12 higher-than-average gross profit (dollars) dollar sales	S-13	In spite of the relatively *(high ... low)* % of gross margin for non-foods, the return on inventory investment for non-foods is low because the annual rate of turnover (about 13 times) for non-foods is below the store average.
R-13 high	S-14	The annual rate of turnover for all non-food categories (about _____ turns per year) is low. However, it would be even lower if it weren't for the above-average turnover on Magazines -- about 28 turns per year.
R-14 13 (turns)	S-15	The annual rate of turnover for all non-foods as a group is _____ turns per year, which is less than half the annual turnover for Magazines (about _____ turns per year).

R-15 13 (turns) 28 (turns)	S-16	Of the six major non-food categories, ______________ has the highest annual rate of turnover -- about _____ turns per year.
R-16 Magazines 28 (turns)	S-17	(TRUE or FALSE) Below-average turnover rates for non-foods categories tend to reduce the return per dollar of inventory investment even though the % of gross margin for these non-food categories are above the store average gross margin. ________
R-17 True		SOURCES OF SUPPLY FOR NON-FOODS
	S-18	The six major non-food categories commonly found in the supermarket are: ____________ and ____________ ________; ____________________; ________ __________; ____________________; ____________________; and ________. Items for these categories might be obtained: - from a specialized wholesaler called a Rack Jobber; - from the store's own warehouse or grocery wholesaler; or - direct from the manufacturer.
R-18 Health and Beauty Aids Housewares Soft Goods Magazines Stationery Toys	S-19	A Rack Jobber is a specialized wholesaler who delivers ______-________ items to the store and stocks them in a manner designated by the store or by headquarters.
R-19 non-food	S-20	A specialized wholesaler who delivers non-food items and stocks the items he delivers to the store is called a ________ ____________. He reimburses the store for the space by paying the store a percentage of the dollar sales.

R-20 Rack Jobber	S-21	The Rack Jobber usually reimburses the store for allowing him to service the non-foods sections by returning a share of the total ________ ________ to the store.
R-21 dollar sales	S-22	A type of Rack Jobber who delivers and stocks a specific category of non-food items is a Toiletry Merchandiser. Like other Rack Jobbers, ________ ________ pay the store a percentage of the total dollar sales of the items they supply, but they usually handle Health and Beauty Aid items exclusively.
R-22 Toiletry Merchandisers	S-23	Items such as toothpaste, hair spray, shaving lotion, home permanents, first aid items and toothbrushes are likely to be delivered and stocked in many supermarkets by a wholesaler known as a ________ ________.
R-23 Toiletry Merchandiser	S-24	A type of Rack Jobber, the ________ ________ reimburses the store by returning a share of the sales of Health and Beauty Aids in the store.
R-24 Toiletry Merchandiser	S-25	Non-food items are often delivered and stocked by either a ________ ________ or a ________ ________. Some advantages of using these special types of wholesalers as a source of supply are that they: • deliver, stock and maintain the section; • provide a wide assortment of merchandise with guaranteed sale; • keep out-of-stocks to a minimum; and • reduce the store's inventory investment.

R-25 Rack Jobber Toiletry Merchandiser	S-26	Rack Jobbers and Toiletry Merchandisers stock the shelves with goods they deliver. Also, they save the store the trouble of warehousing non-food items. The costs of these services will in most cases be reflected in *(lower ... higher)* margins on the non-foods item provided by them.
R-26 lower	S-27	Two types of wholesalers who specialize in supplying items to retail food stores are ________ ________ and ________ ________. Another source of supply for non-food items would be the central buying organization's warehouse or a regular grocery wholesaler who also carries non-foods. (In some cases, several sources may be used by a single store for different non-food lines.)
R-27 Rack Jobbers Toiletry Merchandisers	S-28	Rack Jobbers and Toiletry Merchandisers stock the goods they deliver and maintain the section in which the goods are stocked, practically eliminating labor expense for the store. On the other hand, stores receiving non-food items from their own organization's ________ or from their regular ________ wholesalers will usually incur labor expenses, because store personnel will be required to order, receive, stock, rotate and maintain the section.
R-28 warehouse grocery	S-29	The typical supermarket can obtain non-foods from several sources; namely, from Rack Jobbers or Toiletry Merchandisers, from their own ________, or from ________ ________. Non-food items can also be bought direct from the manufacturer.
R-29 warehouse grocery wholesalers	S-30	Rack Jobbers and Toiletry Merchandisers usually stock the non-food items they deliver, whereas store personnel stock non-food items ordered from the store's own ________, or goods ordered ________ from the ________.

MAJOR PROBLEMS OF NON-FOODS

R-30 warehouse direct (from the) manufacturer	S-31	The major problems in non-foods are: • overbuying of seasonal items; and • pilferage. Some operators overcome the first of these problems by turning over the non-foods section to specialized wholesalers commonly knows as ________ ________ or ________ ________ (in the case of Health and Beauty Aids).
R-31 Rack Jobbers Toiletry Merchandisers	S-32	One major problem in handling non-food items is a tendency to overbuy ________ items. This problem is eliminated when the store's non-foods are supplied by Rack Jobbers because they remove any excess merchandise and return it to their warehouse or deliver it to other stores serviced by them.
R-32 seasonal	S-33	Rack Jobbers and Toiletry Merchandisers may reduce the problem of ________ seasonal items, but this type of servicing arrangement cannot overcome another major problem in the non-foods -- namely, pilferage.
R-33 overbuying	S-34	The fact that the non-foods sections contain many small, easy-to-conceal items make them particularly vulnerable to ________.
R-34 pilferage	S-35	Pilferage would probably take place in non-food sections regardless of who services them, because they contain many ________, ________-____-________ items.

R-35
small,
easy-to-conceal

S-36 The two major problems of the non-foods sections can be seen in the following example:

> The ABC supermarket purchased a quantity of Santa Claus flashlights direct from the manufacturer for a big Christmas promotion. On December 27, the remaining flashlights were shelved throughout the Toy and Housewares sections to reduce inventory and to end up with a successful promotion. The movement of flashlights during the next week was good, but unfortunately the flashlights did not sell out. Also, two youngsters were caught taking flashlights out of the store without paying for them.

In this example, the store was experiencing the two major problems encountered in non-food sections: ______________________________,
and ______________________________.

R-36
overbuying of
seasonal items
(and) pilferage

END OF SECTION III

IV. THE BEER, WINE, AND LIQUOR DEPARTMENT

A few years ago Beer, Wine, and Liquor were rarely sold in supermarkets. Today, they are considered quite logical additions to the non-alcoholic beverages stocked there. Perhaps the convenience of having these items under one roof, saving additional shopping trips to other retail outlets, paved the way for customers' and retailers' acceptance of their presence in the supermarket.

Beer, Wine, and Liquor logically fit into the merchandising scheme for supermarkets because they:

- Are consumed immediately before, during and immediately after meals.
- Are "naturals" for tie-in promotions with snacks, cheese dips, etc.
- Add to the convenient "one-stop shopping" theme.

SALES AND PROFITABILITY OF BEER, WINE, AND LIQUOR

1. Beer

Today about 50% of the nation's supermarkets sell Beer. In the past 10 years, the sales of Beer in supermarkets have more than doubled until today more Beer is sold in supermarkets than in any other type of retail outlet. Since Beer is usually consumed more rapidly than either Wine or Hard Liquor, the rate of turnover for Beer is generally far greater than for Wine or Liquor.

In supermarkets which stock and sell Beer, the sales of Beer amount to about 2% to 3% of total dollar sales. This is high considering that it is a one-product category. The margin on Beer is about 20%, or roughly the same as for the store as a whole. The turnover rate for Beer is about 25 turns per year.

2. Wine

About 25% of the nation's supermarkets sell Wine. This item is gaining in popularity as more people find it a pleasant drink before, during, and after meals. Also, many popular recipes recommend the addition of Wine for exquisite flavoring.

Wine accounts for about 1% of the supermarket's total dollar sales, and provides a gross margin of about 22%. The turnover rate for Wine is about 15 turns per year, considerably less than for the store as a whole.

3. Liquor

About 10% of the nation's supermarkets sell Hard Liquor, but the percentage is rising because the facilities for displaying and selling it are often provided in new stores as they're being constructed. In some supermarkets selling Liquor, the section is located in a separate room apart from but connected to the store itself. (SEE DIAGRAM A) In other stores, Liquor is sold in the store itself but on a clerk-service basis. (SEE DIAGRAM B) Both these arrangements are intended to reduce pilferage. In most cases, sales are rung up on a special cash register for control purposes, and customers pay for their purchases in the section rather than at the check-out counter.

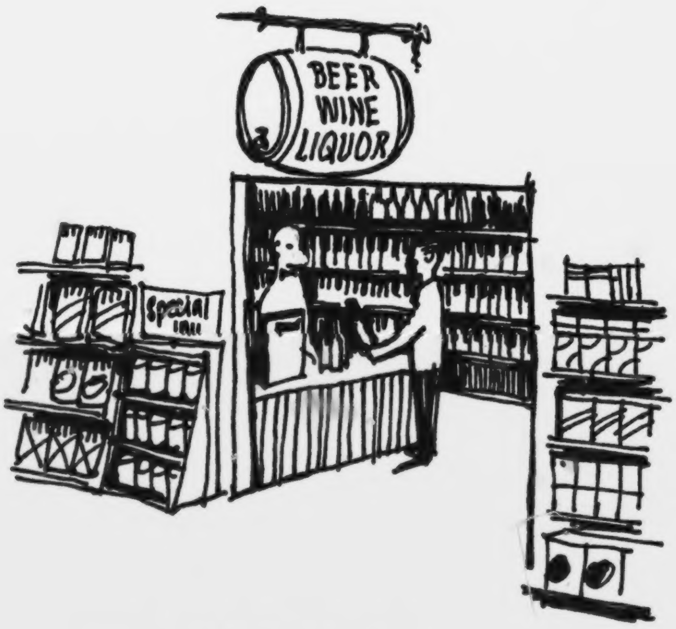


DIAGRAM A

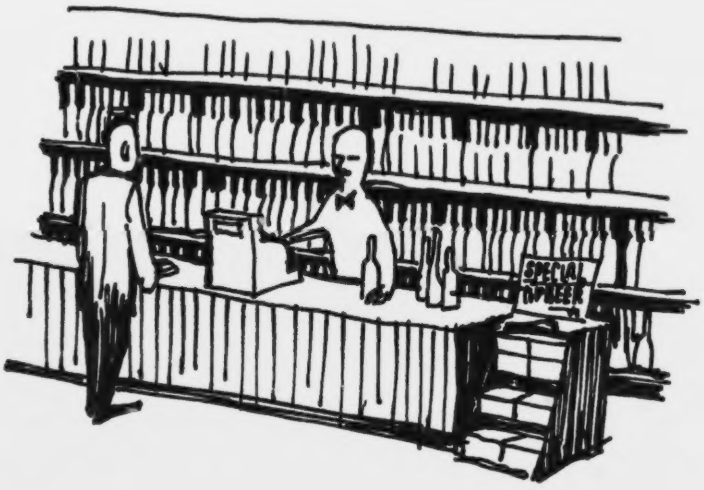


DIAGRAM B

Expensive licenses, and regulations in many states which prohibit the sale of Hard Liquor in other than State Liquor Stores, have served to keep the number of supermarkets selling it relatively low. Even so, supermarkets account for a fairly large percentage of the total sales of Hard Liquor for home use, as shown below:

Liquor Stores	79%
Supermarkets	10%
Drug Stores	4%
Taverns	3%
All Other Outlets	4%
Total	100%

OPERATIONS OF THE BEER, WINE, AND LIQUOR DEPARTMENT

According to recent studies, only about 31% of the supermarket shoppers today plan in advance to buy Beer and about 13% plan in advance to buy Wine. Therefore, a good percentage of sales in both of these categories are impulse sales.

Beer, Wine, and Liquor all lend themselves well to tie-in promotions which stimulate impulse purchases. For example:

- Beer would tie-in well with Potato Chips, Pretzels, Crackers, Pizza Pie and Cheeses, to name a few.
- Wine would tie-in well with Pizza Pie, delicatessen prepared meals, recipe displays, hors d' oeuvres, and Meats and Poultry.
- Hard Liquors would complement meals in the form of before-dinner and after-dinner cocktails, would go well with most snacks and hors d' oeuvres, and would tie-in well with soft drink mixes.

Effective promotions and merchandising -- combining powerful advertising, attractive displays, and convenient department layouts in high-traffic areas of the store -- are essential in increasing the impulse sales of these categories.

MAJOR PROBLEMS IN THE BEER, WINE, AND LIQUOR DEPARTMENT

Perhaps the three most widespread and most serious problems in the Beer, Wine, and Liquor Department are: pilferage; breakage; and temperature control.

- Pilferage of Beer, Wine, and Liquor is common because they are relatively high-priced items which are easily concealed in large pockets, coat linings or purses. Further, the contents are ready for immediate consumption, which adds to their popularity as pilferage items. Also, the fact that stores are prohibited by law from selling Beer, Wine, and Liquor to minors means that these items are likely targets for pilferage by under-age youths.

  Stocking Beer, Wine, and Liquor close to the front of the store can help reduce pilferage. Assigning personnel to walk through the area from time to time also serves as a deterrent to shoppers intending to pilfer these items.

- Breakage is another major problem in the Beer, Wine, and Liquor Department. Generally, breakage is the result of haphazard shelving and stacking of bottles or carelessness on the part of shoppers.

The breakage problem can be controlled by carefully stacking products on the shelves in a layout that makes it easy for shoppers to locate sought-after items. Driver/salesmen who deliver and stock items in this department should also be supervised, to ensure that the store's shelving plan is followed.

- Temperature control is important when shelving and storing alcoholic beverages. Wine, for instance, is not pasteurized and warm temperatures reactivate bacterial organisms, turning the Wine to vinegar. Beer and Hard Liquor tend to lose flavor when stored at warm temperatures. Also, Beer might explode as gases in the bottles or cans expand at warm temperatures.

Although these problems (pilferage, breakage, and temperature control) are common to Beer, Wine, and Liquor Departments in all supermarkets, many stores have implemented procedures along the lines of the ones mentioned above and have thereby reduced losses due to these causes.

V. THE PHARMACY

As we saw, Health and Beauty Aids are popular items in the supermarket. In fact, most of the items that are sold in drug stores sell equally well in supermarkets. Some operators have gone all the way and installed complete pharmacies in or adjacent to their supermarkets. The attempt here is to simplify the customers' shopping trips thus providing even greater convenience and stronger reasons for patronizing the supermarket exclusively. Today, about 5% of the country's supermarkets include a Pharmacy operation.

The idea of a Pharmacy within the supermarket has not as yet gained the acceptance that other drug store categories in the supermarket have, such as Health and Beauty Aids and Magazines. For instance: in a recent store survey, shoppers were asked "Would you shop at our Pharmacy on a regular basis?"

- 34% said they would patronize the Pharmacy regularly.
- 36% said they would patronize the Pharmacy occasionally.
- 30% said they would not patronize the Pharmacy at all.

People in the industry who favor the incorporation of a Pharmacy within the supermarket usually cite the following advantages of such an arrangement:

- Shopper convenience.
- High return on inventory investment.
- High % of margin on prescriptions and other drugs.
- Competitive advantage over supermarkets without such a department.

Those who oppose the idea of having a Pharmacy within the supermarket often give the following disadvantages of this arrangement:

- Supermarket surroundings do not provide the proper ethical atmosphere that prescription customers expect.
- Doctors may be unwilling to recommend supermarket Pharmacies for prescription filling.
- The salary of the pharmacist, a department head, may be as high as that of the Store Manager, or even higher.

At present there seems to be a trend toward keeping the Pharmacy separate from the supermarket (instead of including it in the store) in order to provide the ethical surroundings many customers desire. This is accomplished by locating the Pharmacy in an adjoining building or completely walling it off within the same building, providing separate entrances for the Pharmacy and for the supermarket. This approach is limited to new supermarkets being constructed and to those existing supermarkets with space available for such additions.

SELF-QUIZ

Self-Study Unit #13

This Self-Quiz is intended not as an examination, but rather as a learning tool to help you check your understanding of the material you just studied. After completing the quiz, refer back to the page or pages indicated in parentheses after each question in order to check your answers. If you were unable to answer any questions or if you answered any questions incorrectly, it's suggested that you re-study the material in the Self-Study Unit that caused you difficulty.

1. (TRUE or FALSE) The addition of "other departments" to the supermarket which enables shoppers to do all of their shopping under one roof is basically a refined version of the old "General Store". (I-1) __________

2. (TRUE or FALSE) The Delicatessen Department is such a popular innovation that it would do well in any supermarket, regardless of the population make-up of the market area surrounding the store. (I-3) __________

3. (TRUE or FALSE) Health and Beauty Aids, like prescription drugs, do not lend themselves to being sold in supermarkets. (I-3) __________

4. (TRUE or FALSE) Most shoppers buy Houseware items at the supermarket on impulse. (I-5) __________

5. (TRUE or FALSE) The market for Toys is so great that it requires little buying or merchandising skill to run a successful Toy section. (I-8) __________

6. (CIRCLE THE CORRECT ANSWER) Most supermarket Delicatessen Departments (do ... do not) prepare the items they sell in an on-premise kitchen. (II-1, S-3)

7. If four supermarkets were picked at random, probably ____ (HOW MANY?) out of the four would have a Delicatessen Department. (II-1, S-4)

8. The Delicatessen Department's sales per square foot are relatively (high ... low) in relation to the six major departments, and its share of total dollar sales is relatively (high ... low) compared to the six major departments. (II-3, S-11)

9. (TRUE or FALSE) The average % of gross margin for a Delicatessen Department with an on-premise kitchen is usually lower than that of a Delicatessen Department without the kitchen. (II-3, S-14) __________

10. The average gross margin for a Delicatessen Department with an on-premise kitchen is about _____%, and the average gross margin for one without an on-premise kitchen is about _____%. (II-3, S-14)

11. Three essentials of a successful Delicatessen operation are: (II-5, S-21)

• ______________ • ______________ • ______________

12. After qualified personnel have been located and selected to staff the Delicatesse they must be ______________ to skillfully carry out the functions of the department and to avoid another major problem in the department: that of maintaining product ______________ and appearance. (II-7, S-34)

13. (TRUE or FALSE) The cleanliness of the premises and the personal cleanliness of the personnel are important in a Delicatessen operation. (II-11,S-53) ________

14. Health and Beauty Aids contribute the greatest percentage of total __________ __________ and the greatest percentage of total __________ __________ of the six major non-food categories. (III-2, S-5 and S-8)

15. The gross margins on non-foods are relatively (low ... high). (III-3, S-11)

16. (TRUE or FALSE) The rate of turnover for most categories of non-foods is below the average for the store as a whole. (III-3, S-13) __________

17. (TRUE or FALSE) Rack Jobbers usually stock the non-food items they deliver to the store. (III-4, S-19) __________

18. (TRUE or FALSE) A Toiletry Merchandiser is a type of Rack Jobber who specializes in Toys. (III-5, S-22) __________

19. Instead of utilizing Rack Jobbers, many supermarkets obtain non-foods from their own affiliated ______________, from a __________ __________, or direct from the ______________________. (III-6, S-27 and S-29)

20. (TRUE or FALSE) Two major problems in non-food categories within the supermarket are over-buying of seasonal items and pilferage. (II-7, S-31) __________

21. (TRUE or FALSE) More Beer is sold in supermarkets than in any other type of retail outlet. (IV-1) __________

22. (TRUE or FALSE) More supermarkets stock Liquor than either Beer or Wine. (IV-2) __________

23. (TRUE or FALSE) Because of their bulk and weight, Beer, Wine, and Liquor are not likely targets for shoplifters. (IV-3) __________

24. (TRUE or FALSE) The idea of locating a Pharmacy within the supermarket has gained unanimous approval of shoppers. (V-1) __________

25. (CIRCLE THE CORRECT ANSWERS) Prescriptions and other drugs provide a (high ... low) % of margin and have a relatively (high ... low) rate of turnover. (V-1)